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ABSTRACT

The Subcommittee on Postsecondary Education of the Committee on Education and Labor, House of Representatives met at St. Michael's College in Vermont to conduct the first hearing for the reauthorization of the Higher Education Act (due to take place in three years). Statements were heard on general higher education problems and financial aid from the following people: Brenda Bennett, student, Burlington College; Nelberta Brink, director of financial aid, St. Michael's College; Charles I. Bunting, chancellor, Vermont State Colleges; David P. Coseo, director of financial aid, University of Vermont; Daniel Couture, student, Essex Junction, VT; Raymond Denault, Milton, VT; Gerald P. Francis, vice provost, University of Vermont; David B. Myette, director of financial aid, Champlain College; James M. Pollock, president, Green Mountain College; Paul Rice, president, St. Michael's College; Janice E. Ryan, president, Trinity College; Marcia Vance, director of financial aid, Burlington College; and Charles Vandermill, Cambridge, Vermont. Prepared statements, letters, and supplemental materials are included. (SM)

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HIGHER EDUCATION ACT

HEARING
BEFORE THE
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
OF THE
COMMITTEE ON
EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES
ONE HUNDREDTH CONGRESS
SECOND SESSION

HEARING HELD IN WINOOSKI, VT, MARCH 28, 1988

Serial No. 100-67

Printed for the use of the Committee on Education and Labor



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(II)

CONTENTS

Hearing held in Winooski, VT, on March 28, 1988	Page 1
Statement of:	
Bennett, Brenda, student, Burlington College	38
Brink, Nelberta, director of financial aid, St. Michael's College	61
Bunting, Charles I., chancellor, Vermont State Colleges	4
Coseo, David P., director of financial aid, University of Vermont	66
Couture, Daniel, student, Essex Junction, VT	44
Denault, Raymond, Milton, VT	50
Francis, Gerald P., vice provost, University of Vermont	10
Myette, David B., director of financial aid, Champlain College	73
Pollock, James M., president, Green Mountain College	19
Rice, Paul, president, St. Michael's	1
Ryan, Janice E., president, Trinity College	25
Vance, Marcia, director of financial aid, Burlington College	78
Vandermillier, Charles, Cambridge, VT	54
Prepared statements, letters, supplemental materials, et cetera:	
Bennett, Brenda, student, Burlington College, prepared statement of	41
Brink, Nelberta, director of financial aid, St. Michael's College, prepared statement of	64
Bunting, Charles T., chancellor, Vermont State College, prepared statement of	7
Coseo, David P., director of financial aid, University of Vermont, prepared statement of	68
Couture, Daniel, student, Essex Junction, VT, prepared statement of	46
Denault, Raymond, Milton, VT, prepared statement of	51
Francis, Gerald P., vice provost, University of Vermont, prepared statement of	13
Myette, David B., director of financial aid, Champlain College, prepared statement of	75
Pollock, James M., president, Green Mountain College, prepared statement of	22
Ryan, Janice E., R.S.M., president, Trinity College, prepared statement of	29
Vance, Marcia, director of financial aid, Burlington College, prepared statement of	80
Vandermillier, Charles, Cambridge, VT, prepared statement of	56

(iii)

HIGHER EDUCATION ACT

MONDAY, MARCH 28, 1988

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:30 a.m., in the Farrell Room, St. Edmonds Hall, St. Michael's College, Winooski, Vermont, Hon. Pat Williams presiding.

Members present: Representatives Williams and Jeffords.

Mr. WILLIAMS. Good morning. I ask that our first panel, Mr. Bunting, Mr. Francis, Mr. Pollock, and Sister Ryan, please come to the table.

STATEMENT OF PAUL RICE, PRESIDENT, ST. MICHAEL'S COLLEGE, WINOOKI, VT

Mr. RICE. Before we begin, let me take just a minute to welcome everybody to St. Michael's College, to the Farrell Room of St. Edmonds Hall. I am Paul Rice, president of St. Michael's.

Since the college was founded in 1904, I do not know how many congressional hearings have been held at St. Michael's, but I know the most recent one was Senate Agriculture Committee hearing last June at which there were 10 Senators here who represented, I was told by our alumnus, Pat Leahy, represented one-tenth of the U.S. Senate.

Given the number of chairs we have in the room, I am pleased that one-tenth of the House of Representatives is not here for this hearing.

Although that was agriculture, which is very important to the state, this particular hearing dealing with higher education is much closer to home as far as St. Michael's is concerned.

In fact, I would like to point out just one factor which is relevant to what is going to be talked about today, and that is this building in which you are sitting. It was completed just a year ago, and it was a \$7 million project of considerable importance to St. Michael's, allowing us to consolidate our academic facilities on this campus.

The significance of it is that we were able to raise over \$4 million from alumni and others for this building, but the project was able to be successfully completed because the college was able to use tax-exempt financing to raise the additional \$3 million.

The significance of it here, I think, is that you are sitting in a building which is and will be serving educational needs in the State of Vermont for many, many decades ahead, and that building

(1)

was made possible, \$7 million worth, because the federal government enabled us to have tax-exempt financing on \$3 million. A good example of the way in which creative and innovative and appropriate assistance in the federal government makes higher education very possible. So I just leave you that thought as a sort of inspiration for the discussions that take place here today.

So, again, welcome. Thanks for being here.

Mr. WILLIAMS. Thanks for that welcome. Let me formally open this hearing of the House Subcommittee on Postsecondary Education. This is the first hearing for the reauthorization of the nation's Higher Education Act. That reauthorization will take place three years from now.

As Chairman of the Postsecondary Education Subcommittee, I have chosen Vermont as the place to start because of this state's leadership in the last reauthorization of the Higher Education Act. Vermonters helped the rest of us to find the way, and so we ask you today to begin us down the path once again.

The 1986 reauthorization of the Higher Education Act was an example of the comprehensive and careful approach that the Congress takes in reauthorizing significant legislation. More than 100 education institutions, organizations, associations and governing bodies offered recommendations for revisions to the act.

Those recommendations, along with legislative proposals offered by the members of the subcommittee, served as the basis for discussion for each of the 12 titles authorized under this act. Thirty-five hearings were held by the House. Twenty-five of those hearings were held outside of Washington, and two of those were held here in Vermont. More than 350 witnesses, representing a wide cross-section of experts, professionals and students, all from the higher education community, appeared before this subcommittee during that last reauthorization to offer suggestions on how to improve the various programs under the act.

The bill was reported out of the subcommittee by a vote of 28 to 2. The committee had considered more than 60 amendments to the original bill, so it took all of those witnesses, all of those days and months of deliberations to simply move the bill through subcommittee.

As you can see, the authorization of the Higher Education Act is always a long and deliberate process. A great deal of time and effort goes into assuring that whatever amendments we enact will reflect the fundamental purpose of the act.

That purpose is, "To reaffirm and improve the federal commitment to the support of postsecondary education."

Now we begin again the process of oversight for the purpose of reauthorization. Through the process of oversight, the Congress has its ability to go back and review its work. It is important that we hear your thoughts about the Act and whether it is working as well as we intended, or you expected.

The Congress is, of course, not known to rush to change the Higher Education Act. We want to watch it work first. Only a portion of the 1986 changes have had a chance to take effect. We are eager to hear your comments on the preliminary effect of the 1986 act. As those who work with these programs on a day-to-day basis, your opinions are important to us and we appreciate your willing-

ness to be here today, and particularly those of you who will come before the subcommittee as we begin this process of oversight on the statute.

The most respected and well-liked member of our subcommittee is the ranking member of the full committee, Congressman Jeffords upon whose invitation the subcommittee is here today.

Mr. JEFFORDS. Thank you very much, Mr. Chairman. I am deeply pleased that you could be here with us today. Pat is one of our leading members of the House, not only in the field of education, but he is also on the Budget Committee, and we look to him for guidance.

Fortunately, he comes from the State of Montana which is about as rural as Vermont, but only spread over a great deal more land. We were talking last night the size of his communities are like the size of our communities, and so he feels very much at home here, especially with the snow falling this morning. We really did our best to make him feel really at home.

Mr. WILLIAMS. Enough is enough, Jim.

Mr. JEFFORDS. Okay, we will call off the snow.

I also wanted to just mention a word about Senator Bob Stafford who has been such a leader in the higher education field, and of course, he will not be with us on the next act, but has done such a tremendous service. I know that all of the committee respects the work that Bob Stafford has done and we are going to miss him on the next reauthorization. I know that one of the reasons we will not have too many complaints about the higher education law is because of his work.

The Postsecondary Education Subcommittee is charged with development and oversight of all of the higher education programs. The program that has the most volume with respect to both numbers of people participating as well as dollars is, of course, student financial aid. We will be asking for criticism of the changes that were made with respect to the higher education financial student assistance programs. Our last panel will probably deal more with that, the financial aid aspects.

The first panel, though, will give us an overview of the problems generally in higher education, the needs and as to whether or not we are presently meeting these needs and other reflections they may have with respect to higher education.

We are dealing with the beginning of the reauthorization of the Higher Education Act, as well as looking at some of the problems we may have in the present one. We also have the trade bill up which a conference committee will be finalizing this week some educational elements in that. We will be receiving testimony on provisions with respect to that.

So I would just like to again say thanks, Pat, for coming. We appreciate having you here, and I look forward to listening to our distinguished panels.

Mr. WILLIAMS. Let's accept testimony today in the order in which the names appear on our witness list, and thus we will begin first with Chancellor Bunting.

STATEMENT OF CHARLES I. BUNTING, CHANCELLOR, VERMONT
STATE COLLEGES

Mr. BUNTING. Thank you. The title of my remarks: The Federal Role: Reflections of a Refugee.

I would like to thank Congressmen Jeffords and Williams for this opportunity to discuss issues and needs in higher education, as we seek to strengthen the lives of Vermonters, young and old.

Few lobbyists. Few legislative staff. Apologies, Larry. No traffic jams. No D.C. traffic school. Now recovered from nearly 15 years in our nation's capital, the view in Vermont ain't bad in more ways than one.

Having spent most of those years wrestling within the federal role in higher education, it was sometimes hard to tell that particular forest from the trees. Now, from my current vantage point, I would like to share a few thoughts on the broad dimensions of the government's role and relate those to several current and future needs.

I will make three points to begin.

First, no area of federal responsibility has been more volatile. Indeed, perhaps the broadest debate as to whether there is a federal role in education is itself finally resolved. Symbolically, when the current administration backed away from its promise to eliminate the Department of Education, perhaps this most basic question was finally put to rest.

Second, the only constant in the federal role has been change.

Just 25 years ago, before the legislation of 1965, many observers would have identified agricultural extension, research, statistics, and perhaps teacher training, as the major settled dimension of the federal responsibility.

Today, federal student assistance would be identified as the first core responsibility. Perhaps given the administration's recent budget proposals, we are witnessing the end of a debate, at least about the minimal federal role in this area, yet I fear there are other more likely explanations for the shift in budget strategy this year.

Third, the volatility of the federal role is both a problem and an opportunity.

Working a state whose own policies to support higher education are powerfully dependent on maintenance of adequate levels of federal support, I am acutely aware of the problems accompanying annual cycles of uncertainty and unpredictability. Perhaps in the longer run the most optimistic perspective is that the federal government recognizes the essential role education plays in addressing society's needs and its responsibility to enhance that role, and that these needs change over time; hence the precise nature of the federal role will and should change.

However, to liberally paraphrase, fears for survival do clear the mind. Discussion of the federal role has suffered, or at least has been one-dimensional in this decade, as we—and most of the Congress—have fought rear-guard actions against annual proposals for draconian cuts in federal student aid.

Yet we must take a fresh look at the question, to be effective with both our policies and our strategies—and I think at both fed-

eral and state levels. I hope the following three concerns prove to be useful illustrations of this point.

First, I believe we need a fundamental examination of the question, "Who pays—or, how should college costs be shared, and why?"

With respect to federal aid, we know it is not possible to address issues in either grants, loans, or work study without wrestling with the interrelationships among the three. But, on a broader level I think there is very substantial widespread confusion over the respective responsibilities of the federal and state government, employers, parents, and students themselves for the burden of college costs.

If you would consider just a few of the items here. It wasn't too long ago that we were talking boldly about heading in the direction of entitlement. Today, we have had to deal each year with the headlines on proposed cuts, and then with the response a few months later frantically from financial aid officers that things are not as bad as people might have thought.

The issues over loans are many and various, and lead in different directions. The affect of the Tax Reform Act of 1986 has had I think a considerable effect on our own confusion in terms of the government's interest in incentives for attending college.

And, finally, the plight of employee benefits and payments within the employer sector.

I do believe that this confusion has had substantial impact on people's behavior and expectations. I particularly applaud this committee for having established the National Commission on Responsibilities for Financing Postsecondary Education, and I urge funding of that commission. I would welcome suggestions as to how we can help bring this essential inquiry into place.

I do believe that successful completion of that commission's charge could be the most important step that we could take before the next reauthorization cycle.

Second, I believe that, as a nation, we need to realize the potential of higher education's contribution to economic vitality and community development. We are approaching, I think, a fundamental agreement on the key role of the human factor in economic productivity and growth. Perhaps nowhere has this recognition been greater than in the natural resource-poor New England, during this period of economic prosperity in our region.

And several of the New England states have made new investments in education-industry partnerships. In Washington, I am also aware of specific initiatives just to strengthen education's contribution—for example, Mr. Jeffords' proposal to strengthen scientific facilities in the context of trade legislation.

However, I believe we also need to establish a unified, visible partnership between the federal government, state government, industry, and higher education, to bring together and expand these several initiatives for economic development. I believe that this context and this focus is what we are going to need to address the critical shortages that we may face in the teaching force at all levels, in the inadequate science, math, and literacy skills of our citizens, and in the unmet needs for employee training and retraining.

I also think it may be the most important basic rationale for a strong federal role over the foreseeable future.

Third, those of us in higher education need to bring to the fore critical areas of need and neglect in our own infrastructure. Both as a consequence of the squeeze on the education dollar and of rapid technological change, colleges and universities have a massive form of hidden poverty in the area of academic equipment and scientific instrumentation.

Particularly when coupled with shortages of academic personnel in science and engineering, we will need substantial help to modernize this critical function.

We also need to recognize other changes which are taking place in our own enterprise. We need no more colleges but rather more education: a key challenge now is to deliver quality programs wherever they are needed—in remote rural areas, in industrial plants, in communities needing to create jobs.

Part-time adults, many of them women, are our growth sector: we need to continue to develop appropriate and effective programs. The extent of adult illiteracy in our nation, and the high levels of skills needed for tomorrow's jobs have become clear: we need to respond.

Society's expectations for quality in all of our programs, and for our strong role with K-12 schooling are clear: we need to respond.

In all of these areas and more, funding for community service, for discretionary and innovative approaches, must continue and expand. Federal programs such as the Fund for the Improvement of Postsecondary Education, Trio, and Developing Institutions have been vital and deserve both new funding and broader mandates.

I would like to add that I think there is one particular need for oversight with respect to the Title III program. My sense was that after considerable debate the reauthorization continued the mandate for the program to support a very wide range of needy institutions. My understanding is that, through the form of implementation, that has run into some difficulty with regard to the openness of funding for the full range of institutions.

I know many other share my hope that the upcoming presidential transition will provide an invaluable opportunity to take a fresh look at a nation's direction and the contributions higher education can make. Perhaps such a process itself could then lead to the reauthorization cycle coming up which will be with us before we know it.

Thank you very much.

[The prepared statement of Charles I. Bunting follows:]

1st Panel
Speaker

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The Federal Role: Reflections of a Refugee

Charles I. Bunting
Chancellor
Vermont State Colleges
March 28, 1988

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I will make three points, to begin.

1. No area of federal responsibility has been more volatile.

Indeed, perhaps the broadest debate as to whether there is a federal role in education is itself finally resolved. Symbolically, when the current administration backed away from its promise to eliminate the Department of Education, perhaps this most basic question was finally put to rest.

2. The only constant in the federal role has been change.

Just twenty-five years ago, before the legislation of 1965, many observers would have identified agricultural extension, research, statistics, and perhaps teacher training, as the major "settled" dimensions of the federal responsibility. Today, federal student assistance would be identified as the first core responsibility. Perhaps given the Administration's recent budget proposals, we are witnessing the end of a debate at least about the minimal federal role in this area, yet there are other, more likely explanations for the shift in budget strategy this year.

3. The volatility of the federal role is both a problem and an opportunity.

Working in a state whose own policies to support higher education are powerfully dependent on maintenance of adequate levels of federal support, I am acutely aware of the problems accompanying annual cycles of uncertainty and unpredictability. Perhaps in the longer run the more optimistic perspective is that the federal government recognizes the essential role education plays in addressing society's needs and its responsibility to enhance that role, and that these needs change over time, hence the precise nature of the federal role will and should change.

However, to liberally paraphrase, fears for survival do clear the mind. Discussion of the federal role has suffered, or at least been one-dimensional in this decade, as we (and most of the Congress) have fought rear-guard actions against annual proposals for draconian cuts in federal student aid. Yet we must take a fresh look at the question, to be effective with both our policies and our strategies -- and at both federal and state levels. I hope the following three concerns prove to be useful illustrations of this point.

First, I believe we need a fundamental examination of the question, "Who pays -- or, how should college costs be shared, and why?" With respect to federal aid, we know it's not possible to address issues in either grants, loans, or work study without wrestling with the interrelationships among the three. But, on a broader level I think there is very substantial, widespread confusion over the respective responsibilities of the federal and state government, employers, parents, and students themselves for the burden of college costs. This confusion has had, I think, substantial impact on people's behavior and expectations. I applaud the House Committee for establishing the National Commission on Responsibilities for Financing Postsecondary Education, and I urge funding of the Commission. I would welcome suggestions as to how we can help bring this essential inquiry into place.

Second, I believe we need as a nation to realize the potential of higher education's contribution to economic vitality and community development. We are approaching, I think, a fundamental agreement on the key role of the human factor in economic productivity and growth. Perhaps nowhere has this recognition been greater than in natural resource-poor New England, during this period of economic prosperity. And several of the New England states have made new investments in education-industry partnerships. In Washington, I am also aware of

specific initiatives to strengthen education's contribution -- for example, Mr. Jeffords' proposal to strengthen scientific facilities in the context of trade legislation.

However, I believe we also need to establish a unified, visible partnership between the federal government, state government, industry, and higher education, to bring together and expand these several initiatives for economic development. This is the context and the focus we need to address the critical shortages we may face in the teaching force at all levels, in the inadequate science, math, and literacy skills of our citizens, and in the unmet needs for employee training and retraining.

Third, those of us in higher education need to bring to the fore critical areas of need and neglect in our own infrastructure, if you will. Both as a consequence of the squeeze on the education dollar and of rapid technological change, colleges and universities have a massive form of "hidden poverty" in the area of academic equipment and scientific instrumentation. Particularly when coupled with shortages of academic personnel in science and engineering, we will need substantial help to modernize this critical function.

We also need to recognize other changes which are taking place in our own enterprise. We need no more colleges but rather more education: a key challenge now is to deliver quality programs wherever they are needed -- in remote rural areas, in industrial plants, in communities needing to create jobs. Part-time adults, many of them women, are our growth sector: we need to continue to develop appropriate and effective programs. The extent of adult illiteracy in our nation, and the high levels of skills needed for tomorrow's jobs have become clear: we need to respond. Society's expectations for quality in all of our programs, and for our strong role with K-12 schooling are clear: we need to respond.

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I know many others share my hope that the upcoming Presidential transition will provide an invaluable opportunity to take a fresh look at our nation's direction and the contributions higher education can make.

Thank you for your interest and attention.

Mr. WILLIAMS. Thank you. Vice Provost Francis.

STATEMENT OF GERALD P. FRANCIS, VICE PROVOST,
UNIVERSITY OF VERMONT

Mr. FRANCIS. Mr. Chairman, I would like to thank you for the opportunity to appear before your subcommittee today. These are some exciting times for higher education and we appreciate your diligence in seeking our perspectives as you define your legislative agenda for the remainder of the 100th Congress.

I would be remiss if I did not offer a special word of appreciation to our congressman, Jim Jeffords. Mr. Jeffords has been a strong supporter of higher education in general and the University of Vermont in particular. It is with real pleasure to have the opportunity to appear before him.

My name is Gerald Francis. I am Vice Provost at the University of Vermont, the state's 1962 land grant college and major research university. We, like other land grant institutions, have a dual mission of research and education. However, we are unique among land grant institutions in that the state provides roughly a quarter of our general fund and thus, we must support ourselves predominantly through tuition, restricted funds and private fund raising.

Later this morning you will hear from many of my colleagues about an issue that is a central concern to the entire education community—the proposed changes in federal student aid. I would like to associate myself with their remarks but will turn to another critical issue facing the college and university community.

As you know, the federal government has not made a major investment in postsecondary research or instructional facilities in well over 20 years. As a result of this neglect, our education system is facing an infrastructure crisis. Depending upon the study you read, the national need for new facilities ranges from \$5 to \$10 billion. This neglect has occurred, I might add, at the time when the federal government is placing more and more responsibility on the university research establishment to produce the technologies that will keep our nation economically competitive as we move into the next century.

At the same time, our universities are playing a more and more direct role in local and regional economic growth. A strong research base has become an important factor in corporate relocation and expansion decisions.

In addition, a strong educational system, which has the ability to conduct education and training programs, is an important factor in the ability of a high technology economy to develop and thrive.

Further, the spin-off activities of locally sponsored research create new jobs for local citizens.

My own university is an example of the relationship between educational research capacity and economic growth. We are the third largest employer in the State of Vermont and bring over \$110 million into the state's local economy. We have very close relationships with Vermont businesses and our research programs have resulted in a number of spin-off successes.

In fact, each dollar invested in the University of Vermont will change hands several times before leaving the local economy. This

multiplier effect applied to educational expenses within Vermont is roughly two and a half times. This means that the \$110 million really is \$275 million as far as an impact on the economy of the state.

However, in order to meet our own obligations to our community, we project that we must spend over \$10 million per year for full renovation of our buildings and over \$3 million per year for minor repairs and maintenance of our physical plant.

Furthermore, we will have to raise roughly \$30 million for new graduate research facilities, and these figures do not take into account either instrumentation or the \$10 million we will have to raise for undergraduate instructional facilities.

I am certain that you are well versed with the tremendous need for graduate research facilities, and therefore I would like to turn for a moment to a less heralded need for instructional facilities at institutions which have predominantly undergraduate populations.

Institutions with predominantly undergraduate student bodies, rather than the traditional research universities, provide the undergraduate education to the vast majority of the nation's Ph.D. candidates in science and engineering. In fact, over 60 percent of these candidates are graduates of the nation's undergraduate colleges.

The educational experience that these studies receive as undergraduates plays a critical role in their success in graduate school. It is clear that any national effort to revitalize America's research capacity must begin at the undergraduate level. Therefore, any federal program to support graduate research facilities must make an equal commitment to the improvement of our undergraduate facilities.

The importance of undergraduate facilities is two-fold. First, if we are to attract high quality science faculty to undergraduate education, we must provide them with the facilities to conduct research and remain abreast of their fields.

Second, if we are to adequately prepare undergraduate students to conduct the type of research expected in graduate school, we must familiarize them with the equipment and techniques that are used in their respective disciplines.

The importance of this has long been recognized by Mr. Jeffords and we are thankful for his tireless efforts to secure federal funding for undergraduate facilities. As I understand it, the Jeffords amendment is moving through the conference on the trade bill and has an excellent chance of becoming law. This success would be a fitting culmination of his work on the House Education and Labor Committee.

The Jeffords amendment is an important effort to address a large and growing undergraduate infrastructure deficit. In order to ensure that this program provides the maximum impact for the dollar, I would like to add a few minor recommendations.

First, that grants be limited to \$3 million. Simply stated, a \$3 million grant, matched by private funding as required by this amendment, will leverage a sizeable undergraduate facility. If \$85 million are actually appropriated, up to 28 institutions will be able to upgrade their facilities and instrumentation. Over time then, by

limiting individual awards in this fashion, we can maximize the number of beneficiaries.

Second, that geographic distribution be taken into account when finalizing the awards for any given year. The Department of Education must be required to ensure that the program does not result in the undue concentration of wealth that has plagued the graduate community.

Third, the economic and regional impact be taken into consideration when approving proposals. As I have noted, education plays an important role in economic development, and this role must be taken into account when facilities proposals are under consideration. In addition, it must be noted that economic decisions have political implications, and Congress must have a continued role in ensuring equitable distribution of resources.

Finally, but certainly not last, we need to make a special commitment to the nation's historically black colleges and universities. Despite advances in educational opportunities for minorities, these institutions continue to educate over 40 percent of all black baccalaureate recipients. If we are to make any real progress in the effort to improve minority participation in the sciences, we will have to make a serious commitment to science and engineering education at these historically black colleges and universities. Preparation at these institutions should provide a significant number of minorities the opportunities to pursue Ph.D.'s at our traditional research universities.

In this light, I would like to raise a question about the definition of minority institutions that is contained in the original amendment. A definition that directs funding toward those institutions which educate "a significant number of minority students" will not necessarily target funding to those institutions whose mission is minority education.

Rather, any large college or university can and probably will lay claim to educating significant numbers of minority students and thus take advantage of this set-aside. I would recommend that the set-aside be targeted toward those institutions whose mission is predominantly the education of minorities.

These recommendations notwithstanding, the Jeffords Amendment is an important attempt to address a critical problem in higher education. I am very proud that it has been introduced and championed by our own Congressman and look forward to its enactment into law.

Mr. Chairman, I thank you for the opportunity to testify this morning.

[The prepared statement of Gerald P. Francis follows:]

Statement of Gerald P. Francis, Ph.D.
 Vice Provost
 University of Vermont
 before the Subcommittee on Post Secondary Education
 on
 March 28, 1988

2nd Speaker
 1st Panel

June 24

Mr. Chairman, members of the Subcommittee, I would like to thank you for the opportunity to appear before you this morning. These are exciting times for higher education and we appreciate your diligence in seeking our perspectives as you define your legislative agenda for the remainder of the 100th Congress.

I would be remiss if I did not offer a special word of appreciation to our own Congressman--Jim Jeffords. Mr. Jeffords has been a strong supporter of higher education in general and The University of Vermont in particular. It is a real pleasure to have the opportunity to appear before him.

My name is Gerald Francis. I am Vice Provost at The University of Vermont, the state's 1862 land grant college and major research university. We, like other land grant institutions, have a dual mission of research and education. However, we are unique among land grant institutions in that the state provides roughly a quarter of our general fund budget and thus, we must support ourselves predominantly through tuition, restrictive funds and private fund raising.

Today, you have heard from many of my colleagues about an issue that is of central concern to the entire education community--the proposed changes in Federal student aid. I would like to associate myself with

Page 2 of 6

their remarks but will turn to another critical issue facing the college and university community.

As you know, the Federal government has not made a major investment in post-secondary research or instructional facilities in well over twenty years. As a result of this neglect, our education system is facing an infrastructure crisis. Depending upon the study you read, the national need for new facilities ranges from \$5 to \$10 billion. This neglect has occurred, I might add, at a time when the Federal government is placing more and more responsibility on the university research establishment to produce the technologies that will keep our Nation economically competitive in the next century.

At the same time, our universities are playing a more and more direct role in local and regional economic growth. A strong research base has become an important factor in corporate relocation and expansion decisions. In addition, a strong educational system, which has the ability to conduct education and training programs, is an important factor in the ability of a high technology economy to develop and thrive. Further, the spin-off activities of locally sponsored research create new jobs for local citizens.

The University of Vermont is an excellent example of the relationship between educational and research capacity and economic growth. We are the third largest employer in the State of Vermont and bring over \$110 million directly to the local economy. We have very

Page 3 of 6

close relationships with Vermont businesses and our research programs have resulted in a number of spin-off successes. In fact, each dollar invested in The University of Vermont will change hands several times before leaving the local economy. This "multiplier effect" applied to educational expenditures within Vermont is 2 1/2 times. The total economic impact of The University of Vermont is, therefore, \$275 million.

In order to meet our own obligations to the community, we project that we must spend over \$10 million per year for full renovation of our buildings and over \$3 million per year for minor repairs and maintenance of our physical plant. Furthermore, we will have to raise roughly \$30 million for new graduate research facilities, and these figures do not take into account either instrumentation or the \$10 million we will have to raise for undergraduate instructional facilities.

I am certain that you are well versed with the tremendous need for graduate research facilities. I would like to turn for a moment to the less heralded need for instructional facilities at institutions which have a predominately undergraduate population.

Institutions with predominately undergraduate student bodies, rather than the traditional research universities, provide the undergraduate education to the vast majority of the nation's Ph.D. candidates in science and engineering. In fact, over 60% of these candidates are graduates of the nation's undergraduate colleges.

Page 4 of 6

The educational experience that these students receive as undergraduates plays a critical role in their success in graduate school. It is clear that any national effort to revitalize America's research capacity must begin at the undergraduate level. Therefore, any Federal program to support graduate research facilities must make an equal commitment to the improvement of our undergraduate facilities.

The importance of undergraduate facilities is two fold. First, if we are to attract a high quality science faculty to undergraduate education, we must provide them with the facilities to conduct research and remain abreast of their fields. Second, if we are to adequately prepare undergraduate students to conduct the type of research expected in graduate school, we must familiarize them with the equipment and techniques that are used in their respective disciplines.

The importance of this has long been recognized by Mr. Jeffords and we are thankful for his tireless efforts to secure Federal funding for undergraduate facilities. As I understand it, the Jeffords Amendment is moving through the Conference on the Trade Bill and has an excellent chance of becoming law. This success would be a fitting culmination of his work on the House Education and Labor Committee.

The Jeffords Amendment is an important effort to address a large and growing undergraduate infrastructure deficit. In order to ensure that this program provides the maximum impact for the dollar, I would like to make a few minor recommendations:

Page 5 of 6

First, that grants be limited to \$3 million. Simply stated, a \$3 million grant, matched by private funding as required in the Amendment, will leverage a sizeable undergraduate facility. If \$85 million are actually appropriated, 28 institutions will be able to upgrade their facilities and instrumentation. Over time, by limiting individual awards in this fashion, we can maximize the number of beneficiaries.

Second, that geographic distribution be taken into account when finalizing the awards for any given year. The Department of Education must be required to ensure that the program does not result in the undue concentration of wealth that has plagued the graduate community.

Third, that economic and regional impact be taken into consideration when approving proposals. As I have noted, education plays an important role in economic development, and this role must be taken into account when facilities proposals are under consideration. In addition, it must be noted that economic decisions have political implications, and Congress must have a continued role in ensuring equitable distribution of resources.

Finally, we need to make a special commitment to the nation's historically black colleges and universities. Despite advances in educational opportunities for minorities, these institutions continue to educate over 40% of all black baccalaureate recipients. If we are to make any real progress in the effort to improve minority participation in

Page 6 of 6

the sciences, we will have to make a serious commitment to science and engineering education at the HBCU's. Preparation at these institutions should provide a significant number of minorities the opportunity to pursue Ph.D.'s at our traditional research universities.

In this light, I would like to raise a question about the definition of minority institution that is contained in the original Jeffords Amendment. A definition that directs funding toward those institutions which educate "a significant number of minority students" will not target funding to those institutions whose mission is minority education. Rather, any large college or university, can and probably will lay claim to educating significant numbers of minority students and thus take advantage of this set-aside. I would recommend that the set-aside be targeted toward those institutions whose mission is predominately the education of minorities.

These recommendations notwithstanding, the Jeffords Amendment is an important attempt to address a critical problem in higher education. I am very proud that it has been introduced and championed by our own Congressman and look forward to its enactment into law.

Mr. Chairman, thank you for the opportunity to testify. If there are any questions, I would be pleased to answer them.

Mr. WILLIAMS. Thank you. President Pollack.

STATEMENT OF JAMES M. POLLOCK, PRESIDENT, GREEN MOUNTAIN COLLEGE

Mr. POLLOCK. Chairman Williams, Congressman Jeffords, my name is James Pollock, and I am the president of Green Mountain College, located in Poultney, Vermont.

I am certain that by all the criteria used, Green Mountain College would be classified as one of those invisible colleges cited in a Carnegie Commission several years ago. We are small by all standards, and are less visible than many of our brethren. We are small enough that we do not attract major foundation support. We are not located in a large urban setting, and we are small enough that we do not make the media headlines.

We are a fragile institution which is under-endowed, and one in which all of our energies and resources are focused on offering the highest quality of education possible. However, in spite of our size, our graduates more than amply demonstrate the success of our education, for amongst the alumni of this small college may be found presidents and vice presidents of Fortune 500 companies, internationally recognized leaders in medicine and education, as well as thousands of solid citizens.

Today's students are of that same mold, where we find them enrolling in some of the nation's most prestigious graduate schools or entering their professions at a level much higher than one might expect.

The purpose and philosophy of Green Mountain College mandates that we operate with a minimum support staff and a very tight budget. But Green Mountain is not alone in this category, for by sheer numbers it represents the large percentages of colleges in this nation. Green Mountain and other colleges of its type, therefore, are ultra-sensitive to the bureaucratic changes and sweeping generalizations that are made about higher education.

When someone burps in Washington, it frequently can take on volcanic proportions by the time the ripple effect reaches us in Poultney.

Permit me to illustrate. A couple of years ago there was an uproar over the alleged squandering of monies in some of the federally funded student financial aid programs. We heard of how all college students were racing their BMWs down to Florida; how they were using their financial aid to purchase high cost stereos, as well as a whole spectrum of other attributable sins.

Rather than do the logical thing and examine the true severity of the problem and to determine its breadth and depth, sweeping changes were instituted by the Department of Education in the form of a new needs analysis procedure, creating an astronomical amount of additional paper work and placing added strain on an already overworked financial aid staff, and creating confusion and despair amongst many of the students and their parents.

What was the end result? Well, I cannot speak for all colleges, but I do know about Green Mountain. Of the 51 percent of our students who are on financial aid, the result was minuscule by virtually affecting nothing other than the impression of the hardships

that I just mentioned above. I have to wonder whether anyone has yet to do a cost analysis on these new procedures. I, for one, would rather see the money and effort wasted in this effort turned back to an already underfunded program.

Another topic in which we find it easy to generalize is the area of student loan defaults. Hardly a week goes by that someone in a position of authority in Washington characterizes colleges and college students as irresponsible in handling their loan obligations. So now we have the mind set amongst the public that we are educating a generation of dead beats. How pervasive is this concept?

Well, I have just returned from an extensive trip visiting some of our alumni all over the country, and I want to tell you it is pretty widespread. I find it very difficult to convince people that the students of Green Mountain College in the past have a default rate in the national direct student loans of under .07 percent. At a time we are being asked to seek more and more private support of institutions, it is being made harder and harder for us by statements of these types which apparently are being made for some political expediency.

Let us set the record straight. Yes, the cost of servicing defaulted loans has risen at an alarming rate in recent years. But, why? A major factor is the failure of the Pell Grant program to keep pace with inflation, thus forcing many—and particularly low income families—to turn to loans.

In their wisdom, the decisionmakers in Washington have preordained the problems they now criticize. For, in shifting the emphasis in financial aid from grant to loan, they ignore all existing studies that show that there is an inverse relationship between a borrower's income and his or her probability of default. There is almost like a self-fulfilling prophecy—and again, is this the most efficient use of our funds?

But is the default rate really as it has been described? Not according to the Department of Education's own statistics. Although the dollar value of defaulted rates has increased, the proportion of the loan volume in default has not changed significantly in recent years while, in fact, the rate of default has declined by better than one percentage point in the last seven years.

Pronouncements such as these, and inappropriate and unnecessary sweeping changes, cause us to divert resources, energies and time away from our primary task. As you consider new legislation and the reauthorization of the Higher Education Act, or in your conduction of oversight responsibilities, I would wish that you would keep in mind that all of the ramifications of the activities in Washington and consider whether or not they represent the best methodology possible in addressing the problems, as well as remembering the impact of such action on those of us who must carry out these mandates.

Since we are now looking towards the future and my illustrations so far have dealt with the past, permit me to address one proposal that is now under consideration. That is, somehow linking financial aid to a nationalized set of standards of classroom content and performance.

It is a great idea on the surface. It will create academic standards for institutions and will further ensure that only deserving

students will receive financial aid. With this much information, even I would support the change, but let us look deeper.

Our higher education system, with all its weaknesses and shortcomings, is still the most respected, admired and envied in the world. One does not have to look far to determine what distinguishing characteristics set us apart and above all the others. It is the thousands of students from countries from all over the world that decide that the best place to get a higher education is here in the United States. It is our diversity that sets us apart. It provides choices for students, it stimulates academic competition amongst institutions, and provides for variation in both program and presentation.

Any encroachment, no matter how small, that will tamper with this diversity and lead to uniformity can only have a negative effect on this system. It will create a sameness that has hampered the development of higher education in other nations.

This is not to suggest for one moment that any opposition to academic—that I have any opposition to academic standards and to imply that unqualified students should receive financial aid. There is a process by which academic quality can be insured. It is through the regional accreditation agencies, and my experience with them tells me that are not only the appropriate agencies to monitor our colleges and universities, but they are also the most effective. The last thing we need is an agency of the federal government getting involved or in some way defining academic standards and determining curriculum content.

I would like to express my appreciation for your willingness to come to Vermont and to listen to our concerns. It is very important, especially for those of us representing small institutions, to know that you will take us seriously and in some way we can get into your thought process as you deliberate in the future the role of the federal government in higher education.

Thank you.

[The prepared statement of James M. Pollock follows:]

TESTIMONY OF DR. JAMES M. POLLOCK, PRESIDENT
GREEN MOUNTAIN COLLEGE, POULTNEY, VERMONT
before
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
OF THE U. S. HOUSE OF REPRESENTATIVES
held
MONDAY, MARCH 28, 1988
ST. MICHAEL'S COLLEGE, WINOOSKI, VERMONT

3rd Speaker
1st Panel

p. 52

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When someone burps in Washington, it can frequently take on volcanic proportions by the time the ripple effect reaches us in Poultny.

Permit me to illustrate. A couple of years ago there was a great uproar over the alleged squandering of monies in some federally funded student financial aid programs. We heard stories of how all college students were racing their BMW's down to Florida; how they were using their financial aid to purchase high cost stereos, as well as a whole spectrum of other attributable sins.

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Testimony of
James M. Pollock

-2-

March 28, 1988

What was the end result? Well, I can't speak for all colleges, but I do know about Green Mountain. Of the 51% of our students who were on financial aid, the result was so miniscule it virtually affected nothing other than the impression of those hardships mentioned above. I have to wonder whether anyone has yet to do a cost analysis on these new procedures. I, for one, would rather see the money and effort wasted in this effort turned back to an already underfunded program.

Another topic on which we find it very easy to generalize is in the area of student loan defaults. Hardly a week goes by that someone in a position of authority in Washington characterizes colleges and college students as irresponsible in their handling of their loan obligations. So now we have a mindset amongst the public that we are educating a generation of dead beats. How pervasive is this concept?

Well, I've just returned from an extensive trip visiting some of our alumni, and I want to tell you it is pretty widespread. We are being asked to seek more and more private support for our institutions, but it is being made harder for us by statements of these types that apparently are being made for some form of political expediency.

Let's set the record straight. Yes, the cost of servicing defaulted loans has risen at an alarming rate in recent years. But, why? A major factor is the failure of the Pell Grant program to keep pace with inflation, thus forcing many--and particularly low income families--to turn to loans. In their wisdom, the decision-makers in Washington have preordained the problem they now criticize. For, in shifting the emphasis in financial aid from grant to loan, they ignore all existing studies that show that there is an inverse relationship between a borrower's income and his/her probability of default. It is almost like a self-fulfilling prophecy--and again, is this the most effective use of funds?

But, is the default really as it has been described? Not according to the Department of Education's own statistics. Although the dollar value of defaulted loans has increased, the proportion of loan volume in default has not changed significantly in recent years while, in fact, the rate of default has declined by better than one percentage point in the last seven years.

Pronouncements such as these, and inappropriate and unnecessary sweeping changes, cause us to divert resources, energies, and time away from our primary task. As you consider new legislation, or in conduction of your oversight responsibilities, I would wish that you would keep in mind all the ramifications of the activities in Washington and consider whether or not they represent the best methodology possible in addressing the problem, as well as remembering the impact such action has on those of us who must carry out the mandates.

Since we are looking toward the future and my illustrations so far have dealt with the past, permit me to address one new proposal now under consideration. That is, somehow linking financial aid to a nationalized set of standards of classroom performance. Great idea--on the surface. It will create academic standards for institutions and will further ensure that only deserving students will receive aid. With this much information, even I would support the change. However, let's look deeper.

Testimony of
James M. Pollock

-3-

March 28, 1988

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Before I step down, I want to express my appreciation for your willingness to come to Vermont and listen to our concerns. It is very important, especially for those of us at small institutions, to know that you will take our views seriously and that in some way we can get into your thought process as you deliberate in the future the role of the federal government in higher education.

Mr. WILLIAMS. Thank you. President Ryan.

STATEMENT OF JANICE E. RYAN, PRESIDENT, TRINITY COLLEGE

Sister RYAN. Good morning. Delighted to be here. I am distracted as I have been listening to the testimony, and feel compelled to say you are certainly getting a non-glitch presentation. There is a wealth of experience. Jim has been a president for many years. Gerald Francis has been a long-time and committed administrator at the university, and Chancellor Bunting, by suggestion of his title, has a wide breath of experience and we are giving it new depths in Vermont.

I am a little distracted because I see in the front row two students that I did not expect to see from Trinity College, and then I remember that their father was going to be on a panel later this morning, so I knew they weren't screening the president.

However, one of them—they are sisters—and one is a senior and one is a sophomore, and I do think, Congressmen Jeffords and Williams, that it is a moment that we might take for thanksgiving that one of your labors have paid off.

Michelle, if you will just raise your hand so they will know who I am talking about, will graduate this May and has applied to the Peace Corps. More importantly, been accepted, and more importantly, has been assigned. She is a Vermont native, and she is about as financially aid eligible in debt as you want to find.

Because of the change that you made by congressional action that allows an applicant to go into Peace Corps and to start their loan payments after that service, you are looking at one of the re-

Michelle did share with me her first choice would have been VISTA. We have not got that provision for VISTA yet, and she went to Peace Corps.

I would like to take a moment of thanksgiving for that.

Secondly, I want to say to both Congressmen that you are well served by your staffs, and I know that is not supposed to be lauded in public, but I think it is very important to give you the Vermont perspective on that. Historically we know that to be true, and with your current staffs, I have just seen more of the same, and that is terribly important to us, and I know to you.

I have written my testimony in such a way that I would just like to make some highlights for each of the Congressmen, and plead with your staffs to pay attention to the full text when you get back home, please.

I have complimented the testimony that you have heard. Let me simply underscore the issues of access and choice perhaps in two ways.

One, and Congressman Jeffords, I have to say this was caused by a student of ours that was at dinner last night, and she had—after coming home from dinner she, first of all, felt very privileged to be next to you, was discussing the conversation and said, "He didn't ask me but I already knew," and she may have shared it at the table, but she had figured out as a senior walking across that stage what her starting salary had to be in whatever job she took.

And, Congressman Williams, in a different way, you had asked me a question at the table last night, what is the impact of the debt to persons on their choice of careers. And this particular student from Trinity had figured out, I believe the amount was \$14,328.20, was the salary that she had to have in order to meet her obligations.

My suspicions, knowing her, was that is a bit of a St. Francis budget. But at least she knew that she should not go below that level.

I just asked Chuck before we began, because I failed to remember what the lowest starting salary was for a teacher in the State of Vermont, because this particular student is not going into the education field—she is going into the financial aid field—and Chuck thinks it is \$14,000. Do not hold us for a record on that.

Now I am thinking of that in conjunction with Michelle's sister, where with the grace of God, in two years she will walk across the stage at Trinity College and you can begin to see that when you are dealing with Trinity College, it is a 62-year-old institution, and cited in a national magazine recently of being one of the best educational bargains.

But then you are talking about graduates from an institution who are pretty representational, and, Congressman Williams, it gets at your question, what is the impact on career choices. And I am particularly interested, of course, in education, social work and other things that so directly affect the American society.

Let me simply highlight that I come from a rich background, in addition to being eight years as the President, have been very involved in governmental relations. I am governmental relations chair of our State Association of Independent Colleges, on the Vermont Higher Education Council, on the American Council of Education Governmental Relations, and on the new commission, the National Association of Independent Colleges.

So that, coupled with really knowing students, gives me, I believe, a unique perspective to answer the question or the attitude that Congressman Williams expressed at the table last night.

Given what we have done in the reauthorization, how is it working and where are the biggest problems? And when you get on the plane this afternoon to go back, I think that best way that we could serve you is to keep in mind the points that President Pollock made—what happens in the context of your remarks, and let me emphasize for Gerald Francis and your testimony, on the science facilities at the undergraduate level, and as I suggested last night, the Trinities of the world are the Caseltons and Johnsons. Most of us share that 1960 history that got some good science equipment in there, and now the question and challenge is what can we do for renewal and replacement.

So we need to be part of that conversation while focusing in on those who have the special commitment to research at the graduate level.

Let me move to what I think can be done in the short term which has to do with areas of taxation. There are four areas that I selected because there are bills before the House and Senate currently that have proposed solutions, and these are areas that are affecting our Vermont people now.

The four areas are: tax incentives for savings and education saving options; the second one is the permanent extension of the Employee Educational Assistance Act; the third is interest on education loans; and the fourth is a simple tax provision for the scholarships and fellowships consistent with the purposes and nature of student aid.

I repeat, I am only going to highlight these and the full text is there for benefit of staff.

I speak for all Vermont presidents in strongly urging tax incentives for savings for higher education. Vermont families are no exception in recognizing the importance of saving for college, but they need help to do so. And I am clearer than that. I have eight nieces and nephews; the first one is going to college this fall. So I know more than I have ever wanted to about the consequences of the current situation and the need for savings.

Savings plans devised by individual colleges or states do have limitations on where savings can be used. Private saving plans have prompted responses from upper income individuals. But in our opinion, have failed to reach people of more modest means.

The key elements that we are supporting in whose ever proposal is up is that the plan must be simple and inspire confidence of the saver; that the plan should supplement not supplant existing student aid programs; that it should encourage student choice and possibility.

I say that not just as an independent college president, but I have been in education all of my life and I think the best investment of your and our taxpayer money is for that student to go to the college where based on the campus visit they feel they fit.

The research clearly demonstrates in retention, that is the person most likely to walk across the stage. I believe that is where our investment should be.

The fourth point, tax incentives should coincide with the payment of educational expenses; and fifth, that participation in the education savings plan should be accessible.

On the House side, the Rangel bill, H.R. 3570, comes the closest of those that I know about at this point. I think that the important part here are the points that the proposed bill should be responsive to.

The second of my four points, the extension of the Employee Educational Assistance Act, Congressmen Jeffords and Williams, you know in painful ways that that act was not extended. At Trinity College we have 312 of our 1200 students whose business has reimbursed their tuition.

So I speak to you as a direct consumer and on their behalf. I am confident, based on your past records, that both of you know that since that for the third time has expired. It has a direct impact on their income being taxed and the number of people that take advantage of their businesses.

I was telling you on a personal note that not only do I salute business on that tuition reimbursement, but many times the significant supporter of that student going through their program is their supervisor at work, and it has made a great deal of difference.

I also want to point out that the deductibility of interest on education loans, that the Tax Reform Act, which as you know phases

out and eventually eliminates the deduction allowed to itemizers for the interest paid on education loans, that this change, in our opinion, incorrectly treats this indebtedness as merely another form of consumer interest instead of investment interest, thereby increasing the cost of education debt for many Americans who borrow as an investment in their own future.

And, again, there is a bill in the House. There may be several of them. I believe—I am sure that Congressman Jeffords has put his name. It's the bill of Schultze, H.R. 592, to allow interest on education loans to be deductible in the same manner as is presently allowed for interest on business investment.

I also want to call the taxation of scholarships and fellowships to your attention. This is not the major problem for Trinity College, but it certainly is a problem and one that needs immediate attention.

The new Section 117 subjects to taxation the portion of any scholarship or fellowship that is granted to cover non-tuition educational expenses such as room, board and necessary travel. Worst yet, the law requires that any payments for which a service requirement exists will be treated as taxable income, thus converting many graduate students' tuition grants in teaching and research fellowships into taxable wages. And it is simply a no-win situation. Jerry, you may want to shake your head on that one vehemently. I think I would best describe as the Act converted academic awards into a morass of taxable and non-taxable awards, portions of which are subject to withholding, other portions which are subject to the payment of estimated taxes and part of which are tax free. So, students must now keep their book lists and their receipts. They must match their academic year grants with the tax cycle, calculate taxable wages, taxable scholarships and tax-free gifts from the same awards just to determine if taxes are owed.

The only reason that I read that into the record is I just find it such a phenomena and one that I am confident we can do something about.

So, in closing, I would simply state that tax incentives for saving educational saving options are high on our list. The extension of the employee educational assistant acts affects many Vermonters. Interest on education loans will help the Michelles and Seamans and others like them. And a tax provision for taxation of scholarship and fellowships consistent with the purposes of student aid would help. That is in the short term.

[The prepared statement of Sister Janice E. Ryan follows:]

4th Speaker
1st Panel

TESTIMONY

p 42

OF

JANICE E. RYAN, RSM

TRINITY COLLEGE OF VERMONT

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 28, 1988

TESTIMONY

Mr. Chairman and members of the Committee:

I am Sr. Janice E. Ryan, President of Trinity College in Burlington, Vermont.

For the benefit of our out of state guests Trinity College is a 63 year old private Catholic College sponsored by the Sisters of Mercy, with an enrollment of 1200 students. 350 of our students are full time traditional age undergraduates and 850 are part and full time, degree seeking undergraduates with an average age of 35. Regardless of their age, students participate in the same classes, and for the past 18 years Trinity College has played an increasingly significant role in enabling older students to pursue their degrees through Weekend, Evening or Day Degree Programs. Trinity offers the same flexibility to traditional age students; we are especially proud of our 63 years of unique service and commitment to the success of first generation college students.

By way of background, I am chair of the Association of Vermont Independent College's Government Relations Committee and a member of the Vermont Higher Education Council's Government Relations Committee. On the National level I am a member of the American Council of Education's Governmental Relations Committee and co-chair of the New Initiative Commission of the National Association of Independent Colleges and Universities.

These positions, coupled with being President for eight years, have caused me to become very concerned about the erosion of our nation's policy to have a balance in grants, loans and work for college students.

To put it simply, the financial aid eligible 18 year old woman making application to Trinity for this September finds herself with a balance to pay on her bill after taking into account the federal and state grants, borrowing all she can and being committed to work during the year and summer . . . she will find herself with a balance to pay that is greater than her ability to borrow. And, may I point out that we were recently one of the colleges cited in a national magazine on a list of best educational bargains in the United States. Others on the panel will speak to these issues of access and choice.

We know the United States has to have a different kind of economy in the next decade. We know that the

stakes are high given our debt and the nature of global competitiveness and its impact on the nature of available jobs. We know that in order to be a nation on the leading edge . . . a nation creating new products . . . a nation on the cutting edge of inventions, a nation designing and marketing these inventions, we know that the name of the game in our nation has to be creativity. Creativity will have to be a major educational product if productivity is to be achieved in our American economy. We know Higher Education for the elite alone is no longer sufficient.

I speak within this context today while focusing my remarks on four very specific issues having a substantive impact on student's lives currently and areas in which proposed solutions are currently pending in the House and Senate. These areas are:

1. Tax Incentives for Savings/Education Saving Options
2. Permanent extension of the Employee Educational Assistance Act
3. Interest on Education Loans
4. A simple tax provision for taxation of scholarships and fellowships consistent with the purposes and nature of student aid

Tax Incentives for Savings for Higher Education

First, I strongly support tax incentives for savings for higher education. The savings rate for Americans is low in general, but families and students are having to pay a greater share of the cost of higher education as financial assistance from other sources is shifting from grants to loans. Families recognize the importance of saving for college, but need help to do so.

Savings plans devised by individual colleges or states have limitations on where the savings can be used. Private savings plans have prompted responses from upper income individuals, but failed to reach people of more modest means.

A national savings plan would best provide access and the opportunity for student choice that has characterized this nation's system of higher education. I believe the following key elements need to be included in a national education savings plan:

1. The plan must be simple and inspire the confidence of the saver.

2. The plan should supplement, not supplant, existing student aid programs.
3. The plan should encourage student choice and ensure portability.
4. Tax incentive should coincide with the payment of education expenses.
5. Participation in an education savings plan should be broadly accessible.

Of the various education savings options pending before the finance committee H.R. 3570 (Rangel) comes closest to meeting the features listed above.

Extension of the Employee Educational Assistance Act

The second area which is of special concern to our college is the Extension of the Employee Educational Assistance Act. We have 312 students directly affected, once again.

Section 127 of the Internal Revenue Code, the Employee Educational Assistance Act, as you know, expired for the third time in its history on December 31, 1987. I urge support of H.R. 1692 (Guarini), which would make this provision a permanent part of the tax code, and would urge that it be promptly enacted by the House.

The Employee Educational Assistance Act allowed employees to receive, as a tax free fringe benefit, tuition support to pursue higher education. This section has enabled many low-paid and under-educated workers to return to school part-time, to earn a degree that qualified them for better and higher paying jobs, and most importantly, to become vastly more enthusiastic about their own lives. This section also allows graduate teaching and research assistance to receive tuition remission in support of their education, tax free.

Since the expiration of section 127 these same benefits now become taxable to the students. Clearly, many of the students for whom this section was envisioned will not be able to continue their education if they must pay taxes on the value of tuition from their own limited wages. Even more unfortunately, without section 127, the only tax free employer provided education dollars are those that are related to the current job. This, in essence, benefits those

of us who have already completed our education and are merely "keeping up" with new developments, or limits those eligible for this exemption to a very narrow education, but provides no benefits to those who want to improve their job skills and advance their professional opportunities.

The repeated extension and expiration of this provision had operated to undermine the goals of the provision and has caused much upheaval in student's lives. This section should be made a permanent part of the tax code.

Deductibility of Interest on Education Loans

A third area of concern is the Deductibility of Interest on education loans.

The Tax Reform Act, enacted into law on October 27, 1986, phases out and eventually eliminates the deduction allowed to itemizers for the interest paid on education loans. This change incorrectly treats this indebtedness as merely another form of consumer interest instead of investment interest, thereby increasing the cost of education debt for the many Americans who borrow as an investment in their own future.

Clearly, loans are an increasingly significant part of financing higher education. Based on the most recent figures available, approximately \$76.9 billion in loans to finance higher education are presently outstanding; \$9.3 billion in new federally guaranteed loans were made as part of the 1987 fiscal year. At our college this year students have borrowed nearly a million dollars.

We urge Congress to adopt H.R. 592 (Schulze) to allow interest on education loans to be deductible in the same manner as is presently allowed for interest on business investments.

Taxation of Scholarships and Fellowships

I also want to call the taxation of scholarships and fellowships to your attention. True, the previous system had problems, however the revised one is a nightmare of a different kind.

The Tax Reform Act of 1986 rewrote Section 117 of the Internal Revenue Code pertaining to the taxation of scholarships and fellowship awards. The new Section 117 subjects to taxation the portion of any scholarship or fellowship that is granted to cover non-tuition

educational expenses, such as room, board and necessary travel. The law also requires that any payments for which a service requirement exists will be treated as taxable income, thus converting many graduate student tuition grants and teaching and research fellowships into taxable wages. These are among the most unfortunate of the tax reform revisions.

Although former Section 117 was unduly complicated, prompting audits and conflict between students and the Internal Revenue Service, the present system is not an improvement. The Act converted academic awards into a morass of taxable and nontaxable awards, portions of which are subject to withholding, other portions of which are subject to the payment of estimated taxes by students, and part of which are tax free. Students must now retain book lists and receipts, match academic year grants with the tax cycle, and calculate taxable wages, taxable scholarships, and tax-free gifts from the same awards just to determine if any taxes are owed. All of this compels scholarship recipients of aid above tuition to file a 1040 Form which, in turn, precludes them from using a simplified needs-analysis form to receive student aid. My understanding is bill H. R. 2649 (Lancaster) would restore the previous law on scholarships and fellowships as well as restore interest deduction on education loans.

In closing I would like to underscore the importance of one other area covered in fellow panelist Dr. Francis' testimony; that is science equipment and facilities. You, Congressman Jeffords, have addressed this in the current trade bill. I can assure you that all Vermont Colleges and Universities, with few exceptions, are in desperate need and we appreciate your attention and leadership in this.

On behalf of all students and Presidents in Vermont, thank you for coming to us.

Mr. WILLIAMS. Thank you. Thanks to each of you. We go first for questions to Mr. Jeffords.

Mr. JEFFORDS. Thank you, Mr. Chairman.

I think that all of your testimony emphasized a very basic question and that is: How important to this country is higher education and where should it be in our range of priorities. With respect to President Ryan's testimony, I would say that I am deeply discouraged at the attitude that the Ways and Means Committee has towards education. If there is a fault with us it is that we had so many problems with trying to preserve the property tax deductions for primary and secondary education and a lot of our efforts were focused on that, we did not realize they would come back with a sneak attack on higher education.

I, too, am discouraged at what happened. I note that on the employee bill there are 286 co-sponsors. You would think that that would be all you would need. We only need 218 to have a majority, and both of us are on that bill. We are hopeful that some action may be taken on that. But on the others, it is difficult. We have got to keep fighting for it.

It also relates to the earlier testimony by Chancellor Bunting that we have to really take a good look at who should bear the responsibility of the expense of education as we move to the future.

I think it is critical that we do a real evaluation of that over the next couple of years before we come to reauthorization again. Where I can use some help on that is to getting some funding for the National Commission on Responsibilities for Financing Postsecondary Education, either ordering the Secretary to fund it or to get some special allocation of funds. Not much money is involved in setting that commission up. We have a Vermonter on the Commission who, incidentally, favors very much more participation from the public sector. I think we have a balanced commission there. So, any help that you through national associations or whatever can give us in getting Mr. Natcher or the Secretary of Education to fund it would be very helpful.

With respect to the science facilities, I have a question I need an answer to or would like some advice. The amendment that I have sponsored, by virtue of our committee's jurisdiction, gives the funding to the Department of Education for the grants for science, facilities and instrumentation. The argument is that we should give it to NSF, which traditionally has given those kind of grants to the graduate schools.

However, I am concerned as to your feelings, those of you that represent undergraduate institutions whether or not you feel that the undergraduate institutions across the board would get adequate consideration by NSF. I wonder if you would give me some reflection upon your feelings as to where or who ought to make the decisions. How decisions ought to be made as to where those grants should go. Anyone?

Mr. BUNTING. I would have one comment. I think the Education Department, as a generalization, the Education Department might have more experience in thinking about matters of equitable distribution of funds across institutions. I think the National Science Foundation has substantially more expertise when it comes to the

whole question, the substantive questions of what is needed and how it can best be provided in this field.

I think that one can make an argument for a combination here. That to locate the responsibility with the Education Department, but to have a joint approach to decision making that might involve people from both those agencies.

Mr. JEFFORDS. I understand that there is more hope for getting funding if it goes through NSF than it is if it goes through the Department of Education. So, we also have to take that fact into consideration, but I appreciate your views.

Does anyone else have a comment on that?

Sister RYAN. We chatted about this at dinner briefly last night and what I pledged to you, Congressman Jeffords, is to have an opinion to you by Tuesday. I believe that is when you need it, though I must say we are also meeting on Thursday here in the state, the higher education/governmental relations. We will give you an indicator. The plus and minuses as we discussed last night and Judy Rosenstrike, our executive director is here, and we will get on that immediately. We have been focusing on the problem and proposed solutions and not on the distribution.

Mr. POLLOCK. I think whatever agency you use is almost irrelevant. It is the direction that the legislation has to that agency. I think the legislation has to be directed to the agency to give attention to undergraduate science education. I think simply to put it in a pot and say, "If you are going to get more science education equipment, I think by virtue of the NSF, it is going to go basically to the graduate schools that are heavily into research." So, I do not really think the agency is the critical matter, but I think it is the way the legislation is written and the directive that comes through.

Mr. FRANCIS. I would like to re-emphasize the importance of geographic distribution and I do think that Education may be the one to have that happen more so than NSF.

Mr. JEFFORDS. Thank you. With respect to the problems of the bill that we recently passed we are going to get the views of the financial aid directors later on, but I wondered if you could give us your perspectives as to the kinds of problems we face, how dramatic they are and what we need to do.

Sister RYAN. Congressman Jeffords, I am still distracted. I want to just give a footnote on your first question because the band of Vermonters is pledged to having at least the uniform, if difference of opinion, this is a question that caught a little by surprise, the one you asked. So, I am pledging if there is uniformity among our opinions, and/or we will certify our differences to you. I was particularly looking at staff because that basically now leaves you with whatever—I suspect it will come pretty close to what Jim said.

Mr. JEFFORDS. Thank you. I wonder if you would give us a little bit more information individually on the problems that the needs test have given to your colleges.

Mr. POLLOCK. I think since I addressed that initially, let me address it now. I think it really basically is we are being inundated with paperwork. I just do not think that the student or the families are being served by this. I think there has got to be a better way of getting at that problem. I do not think the problem is quite as

widespread as we were led to believe it was several years ago, but I think our financial aid officers are spending more and more time simply shuffling papers and less and less time counseling students and trying to find the easiest way or the best way to serve them.

I think the other comment—two comments I would have. I think that our experience with the reauthorization of the Act the last time is still a little bit too new to start pointing a lot of fingers in directions because we have not gotten enough experience with it.

But I just want to reiterate what has been said here earlier and that is: Somehow there has got to be a system or a plan developed that is going to reduce the loan burden on students because what we are doing with this loan burden is we are driving many students who are interested in the low paying service occupations away from those occupations simply because they cannot maintain or fulfill their loan obligations.

So, I think that if I had one comment about the most recent reauthorization it would be that I think that there should have been, again, more emphasis on direct grants than there was.

Mr. JEFFORDS. Thank you. Mr. Chairman?

Mr. WILLIAMS. I found that particularly Vice Provost Francis and President Ryan's remarks address themselves to a dilemma that we have in the Congress and that all America has. That is, the dilemma of the deficit, and particularly the dilemma of the legacy for the 1990's that the deficit of the 1980's will present.

I suppose that the elections in 1980 and again in 1984, that is the federal elections, particularly the presidential elections were in part about whether or not we wanted the federal government out of our lives, to put it most simply and polarized. And if that was the referenda, then the American people said, "Yes, we want to stop this federal tinkering." By the way, I was one who disagreed with the popular will in both of those recent elections. But, nonetheless, we are elected to follow the popular will as best we can determine it. And, so, on both the spending side and the taxing side, your elected representatives, House and Senate, and your elected President began to move the federal government away from what some called "tinkering," social engineering. A move to get us out of your lives.

The result was, of course, that the federal government began to spend less or at least dramatically slowed the rate of increased spending on many items which now toward the end of the 1980's you tell us resulted in a mistake. You wanted more spent in your lives when it came to schools and some other kinds of social programs.

On the revenue side, the federal government moved away by closing loopholes. At one time and for many decades, the federal government used the tax code to encourage or discourage certain aspects of people's lives. For example, we used the tax code to encourage student financial arrangements. But that was the federal government in your life. You wanted us out. So, we closed those loopholes and said, "All right. You are on your own. The federal government is not going to encourage or discourage your actions as individuals."

Now, we hear toward the end of the 1980's from many who I personally believe are correct that, no, that was a good aspect of what

the federal government was doing. And it should continue to do it and perhaps do more of it.

The dilemma in trying to return, however, is the deficit. The question is: Can we now go back? Can we afford to lose more revenue in the federal treasury? Can we afford to spend more on those activities where you would like us to increase our expenditures. And, if we do so, on either the taxing side or the spending side, are we only going to increase the deficit and thus threaten to open up an economic black hole that will suck in the economy of the United States and with it, of course, the economies of the rest of the world. So, that is the legacy, in part, it seems to me. And I speak as one, who I say, was not satisfied with the results of the federal elections of this decade. But, nonetheless, it seems to me in part that is the legacy we are left with. Can we correct what we have done even if we want to now?

It is a serious dilemma for people in the United States. It is a serious dilemma for conservatives, liberals, Republicans and Democrats as well as Independents. I know Vermont has a good many of those. But we appreciate a great deal your testimony and your recommendations, like Mr. Jeffords, I have noted them and you have gotten us off to a good start.

We thank this panel very much and I ask the second panel, Ms. Bennett, Mr. DeNault, Mr. Vandermiller and Mr. Couture to come to the witness table.

Ms. Bennett, we will begin with you.

STATEMENT OF BRENDA BENNETT, STUDENT, BURLINGTON COLLEGE

Ms. BENNETT. Good morning and thank you for inviting me.

My name is Brenda Bennett and I am a single parent and have had primary care of four children throughout my college career. I am a senior at Burlington College and will finish my degree this June.

I am in the low-income bracket. I receive most of my income from public assistance. The personal need to get off public assistance provided with the incentive to look for another way of making a living, one that allowed me to value myself. If there had not been financial aid programs, I would not have attempted to go back to school.

I have incurred a tremendous debt burden of \$17,500. When I started college in January 1983, the funding was enough to cover all of my tuition costs and there was money left over to cover the cost of books and supplies. The Federal funding and VSAC has not kept pace with inflation. The last few semesters have been hard. I have had to pay out for part of my tuition as well as for books and supplies.

I have borrowed the limit on my guaranteed student loans not because I needed it directly to pay for my education costs, but to supplement my income from Aid to Needy Families with Children. ANFC provides my family with 66 percent of its needs. Before the recent law changes, you could not borrow GSL without losing your food stamps. This change seems to have been helpful.

The equation has been hard to live with. One aspect of the financial aid that has been helpful is the College Work Study Program. An ANFC recipient can earn CWS without having it determined to be earned income and having it decrease the amount of their grant. But it was determined as earned income for the Food Stamp Program and I lost all of them through most of my college. This program has allowed me to earn enough along with ANFC and GSL so that I was able to provide for my family and work full-time on my education.

In looking at the formula that will be used to determine a student's eligibility for financial aid, guaranteed student loans and College Work Study, I find myself greatly concerned.

The equation does not seem to take into consideration the entire picture. I am told that there are social programs to take care of my family's needs. Remember that these assistance programs fund 66 percent of your family needs. You must report earned income and when you have earned \$75, the welfare office reduces your benefits. People like myself who do not want to remain on assistance are faced with a dilemma. At least with the ability to receive financial aid benefits that were available to me, I had a choice.

Did I feel that my education was worth the debt load? Could I feel sure that in borrowing that amount I was making a wise decision.

Somehow I find it hard in cases like mine to separate the family's needs from the financial needs. In theory, each program takes care of its own responsibilities. But in cases of single parent low-income families and the like, there is a delicate webbing. The new financial aid regulations strive to strengthen people's ability to achieve an education. That is not the end I see.

If I were looking for information about schooling now and I were to look at what the financial aid would allow me, I could not choose to return to school.

True, the need assessment leaves that side of the equation at zero. But say my family's needs are \$12,000, as a single parent with three children, and Welfare allows me \$6,600. That leaves me \$5,400 unmet need. This no longer carries over into my financial aid picture.

When you evaluate the needs of a single student, I will be paying a greater proportion of my tuition with less ability to borrow from GSL or to receive College Work Study. I could not separate my own life into two pictures. It is all well and good on paper. It does not work in practice.

I truly believe that one of the most important programs we have is College Work Study. The Work Study allows people on assistance to earn money that can supplement their income, to gain work experience, and to achieve self-respect. This part of the financial aid program could use greater funding.

And I want to add in here, which is not here, that if I had had more College Work Study money, I would not have borrowed as much because I would not have had that need.

Perhaps it is too early to tell exactly how financial aid will affect future students, but I am fearful. I hope that all concerned will take a hard look at the position that these financial aid regulations will put people in. Could you separate your family's needs from the

rest of your life? I cannot. They are part of my picture, my entire picture.

[The prepared statement of Brenda Bennett follows:]

1st Speaker
2nd Panel

2-55

TESTIMONY TO
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
U.S. HOUSE OF REPRESENTATIVES

MARCH 28, 1968

PRESENTED BY

BRENDA BENNETT

STUDENT

BURLINGTON COLLEGE

BURLINGTON, VERMONT

My name is Brenda Bennett. I am a single parent and have had primary care of four children through out my college career. I am a senior at Burlington College and will finish my degree this June.

I am in the low-income bracket. I receive most of my income from public assistance. The personal need to get off public assistance provided me with the incentive to look for another way to be able to make a living. One that allowed me to value myself. If there had not been a financial aid program. I would not have attempted to go back to school.

I have incurred a tremendous debt burden. \$17,500. When I started college in January of 1983, the funding was enough to cover all of my tuition costs and there was money left over to cover the cost of books and supplies. The Federal funding and U.S.A.C. has not kept pace with inflation. The last few semesters have been hard. I have had to pay out for a part of my tuition as well as for books and supplies.

I have borrowed the limit on my guaranteed Student Loans not because I needed it to directly pay for my education costs but to supplement my income from Aid to Needy Families with Children. A.N.F.C. provides your family with 66% of your families needs. Before the recent law changes, you could not borrow G.S.L. without loosing your food stamps. This change seems to have been helpful.

The education has been hard to live with. One aspect of the financial aid program that has been helpful is the College Work Study Program. An A.N.F.C. recipient can earn C.W.S. without having it determined to be earned income and having it decrease the amount of their grant. But it was determined to be earned income for the food stamp program. I lost all food stamps for 1983,84,85,86. This program has allowed me to earned enough along with A.N.F.C. and G.S.L. so that I was able to provide for my family and work on my education.

In looking at the formula that will now be used to determine a student's eligibility for financial aid, G.S.L. and C.W.S., I find myself greatly concerned.

The education used does not seem to take into consideration the entire picture. I am told that there are social programs to take care of the family's needs. (Remember that these assistance programs fund 66% of your family's needs. You must report all earned income. When you have earned about \$75.00 the welfare office reduces your benefits.) People like myself, who do not want to remain on assistance are faced with a dilemma. At least with the ability to receive the financial aid benefits that were available to me, I had a choice.

Did I feel that my education was worth the debt load? Could I feel sure that in borrowing that amount was I making a wise decision?

Some how I find it hard in cases like mine, to separate the family needs from the financial needs. In theory, each program should take on it's own responsibilities. But in cases of single parent, low-income families and the like there is a delicate webbing. The new financial aid regulations strive to strengthen peoples ability to achieve an education. I weep. That is not the end that I see.

If I were looking for information about schooling now and I were to look at what financial aid would allow me, I could not choose to return to school.

True, the needs assessment leaves that side of the equation at 0. But say my family's needs are \$12,000 (single parent with 3 children) and Welfare allows me \$6,600 that leaves me with \$5,400 unmet needs. This no longer carries over into my financial aid picture. When you equate my needs as a single student, I will be paying a greater proportion of my tuition with less ability to borrow from G.S.L. or to receive C.W.S. I can not separate my own life into two pictures. It is all well and good on paper. But it does not work in practice.

I truly believe that one of the most important programs we have is College Work Study. Work Study allows people on assistance to earn money that can supplement their income, to gain work experience and to achieve self-respect. This part of the financial aid program could use greater funding.

Perhaps it is too early to tell exactly how financial aid will affect future students, but I am fearful. I hope that all concerned will take a hard look at the position that these financial aid regulations will put people in. Could you separate your family's needs from the rest of your life? I can not. They are a part of my life, a part of my entire picture.

Mr. WILLIAMS. Thank you. Mr. Couture.

STATEMENT OF DANIEL COUTURE, STUDENT, ESSEX JUNCTION,
VT

Mr. COUTURE. Good morning. Chairman Williams, Congressman Jeffords, thank you for the opportunity to speak to your committee.

My name is Daniel Couture and I am from Essex Junction, Vermont. I am in my first semester of my senior year at Johnson State College.

During my three and one-half years of college, I have benefited from financial aid programs and, as a taxpayer to be, will very shortly start to pay back my loans and support such programs.

I have received Pell Grants, Guaranteed Student loans, grants from VSAC, private grants, and College Work Study. I come from a family of seven and have two brothers and two sisters also in college; therefore, the amount my parents are able to contribute is minimal. I am very grateful for the financial aid; in particular, the College Work Study Program.

The Work Study Program has provided me with many opportunities. The program has allowed me to keep the amount of my loans to a minimum. It is nice, as I am sure you know, not to have loans looming over your head.

The program has also given me the opportunity to work on campus. The jobs offered allow you the flexibility to work around your class schedule. The Work Study Program has allowed me to become involved in the school community, basically making me feel that I am a valuable part of the college. I have worked in the Financial Aid Office, the Business Office and the Academic Dean's Office. These jobs have provided me with many learning experiences, both practical and personal.

Expanding on the practical, I have gained computer experience, accounting experience, general office practices, and interpersonal skills. I have also learned how one office in an organization fits and interacts within an organization as a whole.

In terms of personal experience, the most valuable has been gaining a better understanding of what the "real" world is like.

College Work Study has allowed me to extend my educational experience into the community. I have been able to intern this semester with the Lamoille County Public Defenders Office. Without Work Study, I would not be able to pursue greater educational opportunities.

I am an individual who works hard and will continue to do so. The Work Study Program has allowed me to work and earn money for my education. I am very grateful for this opportunity.

I would now like to take a bit of your time to comment on a recent change in the financial aid process that is, from a student's standpoint, very detrimental. I refer to the way the dependent student's earnings are counted as part of the student's contribution. New regulations require that 70 percent of a dependent student's earnings will be saved and used as a resource in determining the eligibility for financial aid.

I believe a student should work and contribute. In fact, most studies I do know do work. They need to work to earn money for

clothes, personal expenses, travel expenses, et cetera. Many even contribute to family income as a whole. Therefore, they are not able to save 70 percent of their earnings. I believe that a lesser, more reasonable, percentage should be used in determining their student contribution.

I would like to conclude simply by saying that if it were not for financial aid, I would not be able to finish college in four years. I would have to take time off to work and it would probably take me five or six years to finish college. The reason I want to get of school in four years is so that I can start to work, earn money, so that I can begin to pay taxes, help retire the deficit and support financial aid programs like these. [Laughter.]

Thank you again for your kind attention and for allowing me the opportunity to speak today.

[The prepared statement of Daniel Couture follows:]

2nd Speaker
3rd Panel

p. 60

Mr. Chairman, Congressman Jeffords, and other distinguished committee members, thank you for the opportunity to speak to your committee. My name is Daniel Couture, I am from Essex Junction, Vermont and am a first semester senior at Johnson State College.

During my three and one half years of college, I have benefited from financial aid programs and, as a taxpayer to be, will very shortly start to pay back my loans, and support such programs.

I have received Pell Grants, Guaranteed Student Loans, grants from VSAC (Vermont Student Assistance Corp.), private grants, and College Work Study. I come from a family of seven and have two brothers and two sisters also in college; therefore, the amount my parents are able to contribute is minimal. I am very grateful for financial aid; in particular, the College Work Study Program.

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Expanding on the practical, I have gained computer experience, accounting experience, general office practices, and interpersonal skills. I have also learned how one office in an organization fits and interacts within an organization as a whole. In terms of personal experiences, the most valuable has been gaining a better understanding of what the "real" world is like.

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I believe a student should work and contribute. In fact, most students that I know do work. They need to work to earn money

for clothes, personal expenses, travel expenses, etc. Many even contribute to the family income as a whole. Therefore, they are not able to save 70% of their earnings.

I believe, that a lesser, more reasonable percentage should be used in determining their student contribution.

I would like to conclude simply by saying that if it were not for financial aid, I would not be able to finish college in four years. I would have to take time off to work, and it probably would take me five or six years. The reason I want to get out of school in four years is so that I can start to work and earn money, so that I can begin to pay taxes, help retire the deficit, and support aid programs like these.

Thank you again for your kind attention and for allowing me the opportunity to speak today.

Mr. WILLIAMS. We cannot wait. Mr. Denault?

STATEMENT OF RAYMOND DENAULT, MILTON, VT

Mr. DENAULT. Congressman, Chairman Williams, I would like to thank the President of Trinity College for her comments on my daughter, Michelle, who is going into the Peace Corps. It is a frightening thing for me. I have a little bit of apprehension where she is going, but I am pretty sure she will do quite well.

Being a parent, I got into the helping the education process in 1981 with my first daughter. And thereafter, I have had two in college continuing on now to today and now for the next nine years I will be faced with at least two of my children in college, which obviously puts a heavy financial burden on myself and my wife. We own a small business and the income, obviously, goes up and down depending on the economy.

We have had our ups and downs, obviously. And in doing so, with a second person in college, it created quite a financial bind to us. So, we had to turn to the college financial aid program to see if we could find some assistance so we could help educate our children.

The first program which the college helped us with is what was referred to earlier, which is the job study program, which is the Work Study Program. And all my children in college have been using that program. And they have got quite a lot of skills from it: personal skills to be used later on in life.

The second program which we obviously had to use was the Guaranteed Student Loan Program and that is probably the heaviest relied program for my children to get through college. And at one point in time, we got into a very serious financial problem where our resources were very limited and we were able to apply with our children and get the Pell Grants and use that for a couple of years until we could get ourselves back on our feet.

So, basically, my family has used most of the programs that you people have put into being. And we would like to see them continue. As I said, having been a parent with more than one child in college creates a very heavy cash flow problem. And we need all these programs that you have in place and I would like to see them stay in place if they could for the future for my future children and future students. And I thank you very much for having me here today.

[The prepared statement of Raymond Denault follows:]

3rd Speaker
2nd Panel

March 28, 1988

Congressional Hearing

St. Michael's College

P. 8

Good Morning:

My name is Raymond Denault. I have been in the process of helping my children earn college degrees since 1981; and I will be continuing this process for the next 9 years or until the year, 1997. During this process I have had at least two children in college at the same time for the last three years and expect this to be my situation for four more years. My wife has also attended the Week-End College degree program at Trinity College.

It's quite obvious that this has created a heavy financial burden on us. Since our incomes derive from a small business these vary. Our incomes are dependent on a healthy national and state economy plus the current local conditions. Even if my wife and I work over a total of 80 hours per week we would not earn enough money to support ourselves, our non college children, and our two children in college. Therefore, we have had to look toward other means to help educate our children. We turned to the financial aid department at Trinity College to assist us in finding ways to help pay the tuition for our children.

The first program we used was the Work-Study Program, where by the student chooses a job position within the college administration system. In our case, our children were employed in jobs which gave them new skills or honed ones they already possessed. Besides being paid for their work; those skills have been very useful to them. Three of our children have been involved in this program.

The next program recommended was the Guaranteed Student Loan Program. This program has been a great assist to students, especially mine. I realize that a debt is incurred by the student; but this is a minor problem compared to the intangible rewards of a college degree plus the tangible reward of a possible higher starting salary.

The third program which we have had an occasion to use when our own financial status took a serious plunge was the Pell Grant Program. It allowed our children to continue their education without interruption.

Our family has basically used all the available programs. I am very appreciative of the assistance provided by Trinity College and the Federal Government. Without the financial aid programs there would have been a very limited educational opportunity for my children.

I should at this time comment on the paperwork and complexity of applying for all or any of these programs. In a nut shell, the return on what was granted to my children for the effort and time spent by the children, my wife and

myself was well worth it. I wouldn't change a thing.

In conclusion, I would hope that the programs that are available today to my older children will continue to be available for my younger children and other future college students. With the ever increasing cost of education there must be financial programs in place for future generations. Otherwise, the entire higher educational process will deteriorate and America's position as a world leader will seriously be damaged.

Mr. WILLIAMS. Goodness gracious, Jim, a satisfied customer.
[Laughter.]

Mr. DENAULT. Yes. I did forget one other point.

Mr. WILLIAMS. Are you going to change your satisfaction level?

Mr. DENAULT. No. [Laughter.]

Mr. WILLIAMS. All right, then go ahead.

Mr. DENAULT. Actually, I did want to comment on the paper work. I have heard comment on usually the parent is where it all starts from. And for the benefits that I have received, the paper-work has not been beyond anything that I could not handle. I think it is in order and everything that has happened has happened for us. Understanding the documents, maybe, we have had help from the Trinity College Financial Aid, but it is nothing that we cannot—we, as a parent, cannot handle for what we get from it.

I am very pleased. And I hope the future generations can have the same opportunity my children have. Thank you, again.

Mr. WILLIAMS. Thank you.

Mr. Vandermillier?

STATEMENT OF CHARLES VANDERMILLER, CAMBRIDGE, VT

Mr. VANDERMILLER. Congressman Williams, Congressman Jeffords, my name is Charles Vandermillier. I thank you for giving me the opportunity to testify regarding the financial aid for college students.

I am the father of three students currently attending the University of Vermont. And using the university's own figures, this represents an outlay of approximately \$24,000 each year. This is a considerable burden, even with financial aid. Without it, it would be impossible for them to attend the university. I still have one child in high school. He is going to graduate next year and it is entirely possible that I will be faced with the possibility of trying to put four students through college at the same time.

I will not even be able to think about it without some form of financial aid. Even though both my wife and I are employed, our salaries have not kept pace with the increased cost of college education. I think back to the time that I went to college, you know, that was quite some time ago and that was only about \$2,500 a year then.

This year, because of the rule changes, none of my children could qualify for Guaranteed Student Loans. All three of my children currently at the university do have outside employment. So does the one in high school. And they are saving their money to do what help that they can.

I think this is good since I believe it teaches both responsibility and that you cannot get something without having to work for it. Still, I do not like the idea that the student should have to mortgage his or her financial future in order to obtain a college education which ultimately, I believe, benefits society as a whole. Guaranteed Student Loans are a great program when a student can get one. However, they do place that long-time burden on the individual.

I do not have any answers, but perhaps some method of partial forgiveness of student indebtedness could be worked out based

upon that individual's service to society. Maybe going into the Peace Corps is one way.

This, along with easing some of the new restrictions on loans, would benefit middle class families that form the backbone of our society.

Gentlemen, both my wife and I believe that we, as a family, have now reached the limit of what we personally can do. Since we have started assisting our children with the college education, we have experienced a steady rise in personal indebtedness. I think the well now has run dry.

I have always believed that educating young people is a key to future growth of our country. The cost of this education cannot be met by the individual middle class family alone. Our government must find some way to shoulder a greater share of that burden. Thank you.

[The prepared statement of Charles W. Vandermiller follows:]

4th Speaker
2nd Panel

p. 67

STATEMENT ON FINANCIAL AID

BEFORE

Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives

By

Charles W. VanDerMiller
Cambridge, VT

March 28, 1988

Congressman Williams, Congressman Jeffords. My name is Charles VanderMiller. Thank you for giving me the opportunity to testify regarding financial aid for college students.

I am the father of three students currently attending the University of Vermont. Using the university's own figures, this represents an outlay of approximately \$24,000 each year. This is a considerable burden even with financial aid; without it, it would be impossible for them to attend the university.

I still have one child in high school. He is going to graduate next year and it is entirely possible, I will be faced with the possibility of trying to put four students through college at the same time. I will not be able to even think about it without some form of financial aid. Even though both my wife and I are employed, our salaries have not kept pace with the increased cost of a college education. This year, because of rule changes, none of my children could qualify for Guaranteed Student Loans.

All three of my children currently at the university have outside employment, so does the one in high school. This is good, since I believe it teaches both responsibility and that you do not get something without having to work for it. Still, I do not like the idea that a student should have to mortgage his or her financial future in order to obtain a college education which, ultimately, benefits society as a whole. Guaranteed Student Loans are great when a student can get one; however, they do place a longtime burden on the individual. I do not have the answers, but perhaps some method of partial forgiveness of student indebtedness can be worked out based upon individual service to society. This, along with easing some of the new restrictions on loans, would benefit middle class families that form the backbone of our country.

Gentlemen, both my wife and I believe that we, as a family, have now reached the limit of what we can do. Since we have started assisting our children with a college education, we have experienced a steady rise in personal indebtedness. The well has now run dry.

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Mr. WILLIAMS. Thank you. Mr. Jeffords?

Mr. JEFFORDS. Let me go to the two parents, first. I am curious about the impact of the new tax laws. Do both of you own your homes?

Mr. DENAULT. Yes.

Mr. VANDERMILLER. Yes.

Mr. JEFFORDS. Have you both taken out home equity loans?

Mr. DENAULT. I have not.

Mr. VANDERMILLER. I have.

Mr. JEFFORDS. You have not. Have you put some of your educational burden on a home equity loan?

Mr. VANDERMILLER. Almost all of it.

Mr. JEFFORDS. All of it. And you have not?

Mr. DENAULT. No.

Mr. JEFFORDS. If you have it on your home equity loan, you can deduct it. If you do not, you cannot.

Mr. VANDERMILLER. I know that.

Mr. JEFFORDS. Do you have some financing that is not on your home equity loan? Some that you are borrowing for your students? You do. Do you, too?

Mr. VANDERMILLER. Yes.

Mr. JEFFORDS. And that will not be deductible.

Mr. DENAULT. Right.

Mr. VANDERMILLER. I have had a combination of PLUS loans and other personal loans.

Mr. JEFFORDS. That is my question. What loans assisted you? You said PLUS loans, PLUS personal loans for the educational burden.

Mr. VANDERMILLER. Yes.

Mr. JEFFORDS. I am just trying to get a feel of how middle income people are doing and whether the home equity loan is the answer—and it obviously is not in your case.

Mr. DENAULT. It is still debt. You know, it depends on what interest—

Mr. JEFFORDS. Of course, whether you can deduct it or not on your income tax form.

Mr. DENAULT. Yes. Now, it becomes a factor. But in the crunch to do so, at the time, we had just bought a new home so our equity position was very weak.

Mr. JEFFORDS. Yes.

Mr. DENAULT. It was our second house. And when we changed over, our debt was so heavy that the equity—that is why I could not do what he did.

Mr. JEFFORDS. As desirable as that home equity loan deduction is, certainly, from the educational perspective, it probably does not help those that really need it the most. And it helps those that probably do not need it as much, obviously. I am just curious in that respect.

Brenda, I would like some specific questions. What about the loss of your Food Stamps, how significant was that in your financial picture?

Ms. BENNETT. It was like \$125 a month.

Mr. JEFFORDS. \$125 a month.

Ms. BENNETT. Right.

Mr. JEFFORDS. And you did not lose your ANFC because your Work Study did not count for that, but your Work Study did count against your eligibility for Food Stamps. Is that right?

Ms. BENNETT. Correct. That has been changed, now. They do not count Work Study, I believe, against it.

Mr. JEFFORDS. I was wondering about that.

Ms. BENNETT. That is a recent change.

Mr. JEFFORDS. I thought we had changed that and I just was curious.

Ms. BENNETT. Right.

Mr. JEFFORDS. You said some of your income counted against your ANFC? That was outside the Work Study income?

Ms. BENNETT. Right. Anything you earn at a regular job counts against your ANFC income. And if you earn \$75 within a month, they immediately begin to deduct it.

Mr. JEFFORDS. Is there any consideration given in all this complex matter that you have to go through as a student, do you get any credit for the money that is going into your education with respect to that outside income?

Ms. BENNETT. No. The only good thing about being a student has been with the ANFC is that they did not require that I work 30 hours a week in an outside job. As long as I had College Work Study, they did not require me to get an outside job. But if I had just been going to school without College Work Study, I would have been required to either look for a job or have an outside job that was at least 20 to 25 hours a week.

Mr. JEFFORDS. Now, so I understand it, if you had instead of Work Study, if you had an outside job, then that would have counted against you?

Ms. BENNETT. Right. If I made \$100 a week, out of \$550 that they paid me a month, I would get \$150. So, I would not have been able to go to school fulltime. I would not have had any money, actually.

Mr. JEFFORDS. I understand.

Dan, you mentioned that the 70 percent, presuming 70 percent savings was too high, would that in your view change depending upon your home situation? It seems to me that if you are working and live at home that you might be able to save 70 percent. But, what you were saying, is if you are participating either in your own self-support or if you have to contribute to the family, that it is unfair to expect the 70 percent savings out of the funds?

Mr. COUTURE. I do not think any student could save 70 percent of their funds because—

Mr. JEFFORDS. Well, I know my two students do not.

Mr. COUTURE. There is so much a college student has to pay for, if your parents do not give you any money: clothing, books, transportation. Transportation is important. Living out in Johnson, there is not much out there. To get anywhere, you need a vehicle.

Mr. JEFFORDS. Yes. What percentage do you think would be fair?

Mr. COUTURE. Thirty-five.

Mr. JEFFORDS. In other words, the other way around.

Mr. COUTURE. If you really look at it as also there is a 35 percent that they are charging, are using against your savings, and it is against your earnings. So, you are actually getting a larger percentage than 70 percent.

Mr. JEFFORDS. Have you figured out the availability of jobs to be able to pay off your loans?

Ms. BENNETT. Two things happened for me. I am no longer—I will not become a graduate and be supporting children. So, that opens up for me an opportunity of having the ability to pay back those loans even if I have to take a job that is not at as high a wage as I would like to receive.

So, for me, personally, it comes out in the balance where I do not have the burden of the family, so I can have the burden of the loans. But I really do not want to start any lower than \$17,000.

Mr. JEFFORDS. In order to really have an adequate income.

Ms. BENNETT. Right.

Mr. JEFFORDS. If you still had the children, would you be able to do it?

Ms. BENNETT. Probably not. No. If I still had the children, I would not be able to do it.

Mr. JEFFORDS. Thank you.

Mr. WILLIAMS. Many of the single parents that are attending school in situations similar to yours find that they do still have the responsibility of being parents once they have finished school.

Now, just surmise this answer for us. A person finishes school with a debt burden similar to yours, and you have testified that your debt will be close to \$18,000. A woman graduates with that kind of a debt burden, two or three children to support, I assume that severely limits the starting salaries that she seeks.

Ms. BENNETT. Yes.

Mr. WILLIAMS. I would not think you could take a job that paid under 16 or \$17,000 a year and be able to survive, have your children survive, and begin to pay back your loans. Would there not be some mothers that are either required to default on the loan and go back onto welfare based only on the size of their burden? Do you see what I am getting at?

Many Members of Congress are concerned that the burden alone is so limiting, options for people in your circumstance or similar circumstances like you that the Act has in fact backfired on us and it is not achieving what we thought it would. It is, in effect, forcing people to default on their loans and go back onto welfare. Either/or. Sometimes, both. Do you know people in that situation and have you been concerned yourself about that happening to you?

Ms. BENNETT. That is not a concern for me because I made a very conscientious choice about what my degree would be. And I think that women who are single parents have to make a very conscientious choice about what their degree will be, what the job market is in their field and really work hard at getting good grades to get into a good-paying job in their field. And I think that it is something that they have to be counseled about at their academic institutions, which I feel has happened for me at mine.

The other part that I see which would be very helpful would be some kind of program for people who—if I go back on ANFC, it is coming out of taxpayers' money anyway. There should be some way that people who are actually getting their degree can either get stronger grants where they do not incur the debt burden that I have or something of that sort, where they just are not carrying

that into society and it is not that problem with not paying back their loans.

Mr. WILLIAMS. Well, we could move to less reliance on the loans and significantly greater access to grants. But consider this: If the Pell Grant was not raised significantly higher than it is now, say up to double the Pell Grant, up to \$5,000, if we did not do that, if we did not raise it significantly higher than it is now, that rather than double it, we only raised it several hundred dollars, that would mean that the lower income student would still have to take out a loan. And, so, back to the deficit, now. How can we do that? How can we give more money to the student in the form of a grant and still have them taking out a loan on which 10 percent of them will default, if the current rates stay where they are?

Ms. BENNETT. A comment on that: If I had had the ability to earn more on College Work Study, which is something—and that is also a grant program, something that I did not have to pay back, something that allowed me and a lot of other people like me, to gain self-confidence, to gain the ability to work. Then there would not be the need for that grant program and I do not think that perhaps Guaranteed Student Loans are that necessary for a person in that position if these other fundings are available, because it is just money that perhaps you do not use wisely. If I could have earned more on College Work Study, I would not have borrowed as much for the loans, then that indebtedness would not be there and there would not be the overhead.

Mr. DENAULT. From a parent's point of view, I feel as though it is a matter of priorities. I think in my testimony, my written testimony, I talk about the investment in America in our young people that I think Congress has to look at, you know, where a priority is. And, if education or higher education is part of the priority that keeps the level of America and technology still advanced, that some other program obviously, you go through it everyday, has to suffer. I do believe that there has to be some compromise to continue the effort to help the secondary education program, somehow. And some other program that has to be looked at that long range, it is not as good an investment as education and, therefore, we have got to swing the money back into the programs to help these students here and my children, and his children and your children.

Mr. WILLIAMS. Do you have any recommendations to us as to what we should cut to put the money in?

Mr. DENAULT. Yes, but I do not think I had better say that here. Most every taxpayer has—

Mr. WILLIAMS. That is the same answer we give. [Laughter.]

Well, we appreciate the testimony of each of you. You have been very helpful. Thank you very much.

I would like our third and final panel to come to the witness table: Ms. Brink, Mr. Coseo, Mr. Myette, Ms. Vance.

Ms. Brink, we will begin today with you.

STATEMENT OF NELBERTA BRINK, DIRECTOR OF FINANCIAL AID, ST. MICHAEL'S COLLEGE

Ms. BRINK. Good morning, Congressman Jeffords and Congressman Williams.

I am Nelberta Brink, Director of Financial Aid at St. Michael's College and interim President of the Vermont Association of Student Financial Aid Administrators. I am pleased to have been asked to appear before you to respond to the proposal described in the Federal Register dated January 28, 1988 requiring the use of the Federal Student Aid Report to notify students of their federal financial aid.

Specifically, the law requires that the Department of Education supply this form to each institution. The Federal Student Aid Report must be colored similarly to checks used by the Treasury Department, and must prominently display the seal of the United States.

The VASFAA understands and supports the thrust behind this proposal, which serves to ensure that each recipient of financial aid from federal funds clearly understands the source of assistance is from federal tax dollars. Nonetheless, VASFAA does not support the proposal as written.

To implement the law, the Department must be prepared to provide the forms on a variety of paper. The letter-generating capabilities are significantly different at Vermont institutions, and I am sure across the country, ranging from standard letter quality bond, to continuous feed bond, to laser bond. Each of these types of paper is different, and necessary to remain compatible with the printing options currently in use. To provide only one kind of paper would require schools to purchase or significantly modify existing computer hardware and software, or revert to producing the documents manually, both of which are extremely costly undertakings.

The variations in printing capability also requires that the Department be flexible in the design of the form. Schools which produce the Federal Student Aid Report manually would best be served by a pre-printed document, with room to identify the amount received from each source. Schools with word processing capability would need as little pre-printing as possible; indeed, blank forms may be most effective at some schools.

The cost of Vermont institutions to effectively implement and manage the Federal Student Aid Report requirement would be approximately \$1.00 per letter, assuming no additional cost for hardware or software or personnel.

On the average, each institution mails four award letters for each aid recipient; therefore, the average cost to our schools would be approximately \$4.00 per student per year. These costs are based upon the expected increase in printing, filing, enclosing the letter in an envelope, increased postage due to additional weight, and long-term storage costs.

If an institution requires new hardware, software or personnel to modify existing printing capabilities, the cost would exceed substantially the one dollar per letter estimate.

The Federal Student Aid Report appears to be expensive to both the Department of Education as well as institutions. The federal letter would not list institutional or private sources of assistance nor replace institutional correspondence. Funds provided from non-federal sources would be detailed on institutional letters.

Further, if school award letters include total aid, including federal funds, the potential for confusion is great. At worst, families

could assume they are getting more funds than are actually available to them, or, at best, would require that families combine the Federal Student Aid Report with the institutional award letter to determine their actual level of assistance and fully understand that the aid shown on the Federal Student Aid Report is duplicated on school correspondence.

The Vermont Association of Student Financial Aid Administrators feels that the Federal Student Aid Report is an inappropriate expenditure of funds during these difficult economic times. Funds required to implement this proposal would better serve our students if it were made available to them in the form of additional aid rather than administrative burden.

The intent of the law can be met by requiring all sources of Title IV assistance to be clearly identified with the word Federal, such as Federal College Work-Study, on all award letters sent to students. At Saint Michael's College, this is our usual procedure, as it is at most of the colleges in the state. This would meet the spirit of the proposal, can be implemented in a short time, with relatively little cost to institutions and at no cost to the federal government. VASFAA urges that a technical amendment to accomplish this change be enacted as soon as possible.

Thank you.

[The prepared statement of Nelberta Brink follows:]



SAINT MICHAEL'S COLLEGE

Winooski, Vermont 05404

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Student Financial Aid

1st Speaker
3rd Panel

p. 81

PREPARED STATEMENT OF NELBERTA BRINK, DIRECTOR OF FINANCIAL AID
AT SAINT MICHAEL'S COLLEGE

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Page 2

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Mr. WILLIAMS. Thank you. Mr. Coseo.

**STATEMENT OF DAVID P. COSEO, DIRECTOR OF FINANCIAL AID,
UNIVERSITY OF VERMONT**

Mr. COSEO. Thank you, Congressman Williams, Congressman Jeffords. I am David Coseo, Director of Financial Aid at the University of Vermont. I am extremely pleased to have the opportunity to address the subcommittee regarding student financial aid issues, and more specifically the delivery system that is in place to provide aid resources to all needy students.

At the outset may I take a moment to commend you and the other members of this subcommittee for being such a positive force in shaping and maintaining a strong range of programs for student financial assistance in postsecondary education.

It was just two years ago that I came before this same subcommittee to address common concerns regarding reauthorization of the Higher Education Act of 1965, the potential for significant reductions in federal financial aid resources, as a result of the administration budget proposals and the continuing problem of deficit reductions.

It is well known that the magnitude of the federal deficits continue to overshadow the entire budgetary process. This notwithstanding you and your colleagues on the subcommittee on Postsecondary Education have steadfastly held to a national commitment of access of all citizens to both public and private higher education.

The strength of our federal programs of student financial assistance lies in the diversity of the programs that help assure that the special needs of all our population are met. Your wisdom in maintaining a balance in the various types of aid in the reauthorization process while maintaining a strong and viable aid program is to be commended.

I note with pleasure that after seven years of lean educational budget submissions, the President's proposed fiscal 1989 budget for the Department of Education calls for an increase of \$851 million over the 1988 appropriation levels. I would like to think that your persistence in maintaining reasonable fiscal resources for the various student aid programs over the years has convinced the administration that we cannot and must not jeopardize the education of our most valued resources, our youth.

As well as you have done in maintaining those resources which allow continued access to higher education, we need to recognize that additional resources are needed to meet the increasing cost of a quality education.

The current student aid delivery system is, in the words of Ronald Kimberling, past Assistant Secretary for Postsecondary Education, "in need of simplification. The red tap is simply horrendous."

To give you an indication of the complexity, let me highlight just a few areas of the delivery system currently in place.

Before we review a financial aid application it will have gone through 85 federally mandated assumption computations, 41 reject codes, and 40 exception messages which all must be addressed by

the Financial Aid Office to monitor and/or correct inconsistencies in reported data.

Once the above has been accomplished, our institution has more than 50 processing edits it must complete in order to determining the veracity and degree of completeness of the application. Once the application is reviewed using all of the above criteria, we then determine what additional information is needed to either clarify or verify the reported data.

In addition to the above, there are now four separate and unique formulas for determining financial need: the regular needs analysis, simple needs analysis, displaced homemaker needs analysis, and dislocated worker needs analysis. This is just an indication of some of the regulatory processes that are causing concern on the parts of administrators, parents and students.

I am not suggesting that a major overhaul of the methodology take place. What I am suggesting, however, is that serious consideration be made towards simplifying the process. If we do not, I am confident that we are not far from the day that it may well cost more than a dollar to give out a dollar worth of financial aid.

I would like at this time to address a concern I have regarding the Income Contingent Loan Program. A provision of the reauthorization bill allowed a five year Income Contingent Loan Pilot Program authorizing \$5 million for fiscal 1987 and limited to 10 institutions. I noted with some distress that the administration's fiscal 1988 budget submission contained a request for \$600 million for the Income Contingent Loan Program, with a substantial decrease in the Pell Grant levels, and no provisions for Supplemental Educational Opportunity Grant or the work-study programs.

Although this was not adopted, the thrust to rely even more heavily on loans as a means of funding education is very disturbing. I have noted that the administration has requested \$50 million for this pilot project for fiscal 1989, considerably less than the \$600 million, but nonetheless signals a significant step towards increasing the student loan burden for the support of higher education.

With increased loans growing as a consequence of increased costs of education, there is a need to exercise caution, I believe. We must assure that young men and women are able to build sound and secure lives, without a debt burden for education that is unmanageable and unrealistic. In this regard, I would like to commend your efforts and support for increasing the Guaranteed Student Loan levels and for providing a mechanism in the reauthorization bill for loan consolidation.

In conclusion, I firmly believe that the administration and Congress should continue to have reason for concern about the magnitude of federal deficits and the federal budget. In addressing this problem, it would seem to be of the utmost important to recognize that education is not an expense but an investment. Higher education is the future of this nation and the student financial assistance programs that you have so carefully shaped and maintained are our investment in that future.

Thank you.

[The prepared statement of David P. Coseo follows:]

2nd Speaker
3rd Panel

STATEMENT ON FINANCIAL AID

BEFORE

Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. House of Representatives

By

David P. Coseo
Director of Financial Aid
University of Vermont

March 28, 1988

Congressman Williams and Congressman Jeffords. I am David Coseo, Director of Financial Aid at the University of Vermont. I am extremely pleased to have the opportunity to address the subcommittee regarding student Financial Aid issues and more specifically the delivery system that is in place to provide aid resources to all needy student.

At the outset may I take a moment to commend you and the members of this subcommittee for being such a positive force in shaping and maintaining a strong range of programs for student financial assistance in post secondary education.

It was just two years ago that I came before this same subcommittee to address common concerns regarding reauthorization of the Higher Education Act of 1965, the potential for significant reductions in federal financial aid resource, as a result of the administrations budget proposals and the continuing problem of deficit reductions.

It is well known that the magnitude of the federal deficit continues to overshadow the entire budgetary process. This notwithstanding you and your colleagues on the subcommittee on post secondary education have steadfastly held to a national commitment of access of all citizens to both public and private higher education. The strength of our federal program of student financial assistance lies in the diversity of programs that help assure that the special needs of all our population are met. Your wisdom in maintaining a balance in the various types of aid in the reauthorization process while maintaining a strong and viable financial aid program is to be commended.

I note with pleasure that after seven years of lean educational budget submissions, the Presidents' proposed Fiscal 1989 budget for the Department of Education calls for an increase of \$851 million over 1988 appropriation levels. I would like to think that your persistence in maintaining reasonable fiscal resources for the various student aid programs over the years has convinced the administration that we can not and must not jeopardize the education of our most valued resource, our youth. As well as you have done in maintaining those resources which allows continued access to higher education, we need to recognize that additional resources are needed to meet the increasing cost of a quality education.

The current student aid delivery system is, in the words of Ronald Kimberling past Assistant Secretary for Post-Secondary Education, "in need of simplification. The red tape is simply horrendous."

To give you an indication of the complexity, let me highlight just a few areas of the delivery system currently in place.

Before we review a financial aid application it will have gone through 85 federally mandated assumption computations, 41 reject codes, and 40 exception messages which all must be addressed by the Financial Aid Office to monitor and/or correct inconsistencies in reported data.

Once the above has been accomplished, our institution has more than 50 processing edits it must complete in order to determine the veracity and degree of completeness of the application. Once the application is reviewed using all of the above criteria, we then determine what additional information is need to either clarify or verify the reported data.

In addition to the above, there are now four separate and unique formulas for determining financial need. Regular needs analysis, Simple needs analysis, Displaced Homemaker needs analysis, and Dislocated Workers needs analysis. This is just an indication of some of the regulatory processes that are causing concern on the part of administrators, parents and students.

I am not suggesting that a major overhaul of the methodology take place. What I am suggesting; however, is that serious consideration be made toward simplifying the process. If we do not, I am confident that we are not far from the day that it may well cost much more than a dollar to deliver a dollar of financial aid.

I would like, at this time, to address a concern I have regarding the Income Contingent Loan Program. A provision of the Reauthorization Bill allowed a five year Income Contingent Loan Pilot Program authorizing \$5 million for fiscal 1987 and limited to 10 institutions. I noted with some distress that the administrations Fiscal 1988 budget submission contained a request for \$600 million for the Income Contingent Loan Program, with a substantial decrease in Pell grant levels, and no provisions for Supplemental Educational Opportunity Grant (SEOG) and College Work-Study programs.

Although this was not adopted the thrust to rely even more heavily on loans as means of funding education is very disturbing. I have also noted that the administration has requested \$50 million for this pilot project for Fiscal 1989, considerably less than the \$600 million, but nonetheless signals a significant step toward increasing the students loan burden to support the cost of education.

With increased loan burdens growing as a consequence of increased costs of education there is a need to exercise caution. We must assure that young men and women are able to build sound and secure lives, without a debt burden for education that is unmanageable or unrealistic. In this regard I would like to commend your efforts and support for increasing the Guaranteed Student Loan levels and for providing a mechanism within the Reauthorization Bill for loan consolidation.

In conclusion, I firmly believe that the administration and Congress should continue to have reason for concern about the magnitude of federal deficits and the federal budget. In addressing this problem, it would seem to be of the utmost importance to recognize that education is not an expense but an investment. Higher education is the future of this nation and the student financial assistance programs that you have so carefully shaped and maintained are our investment in that future.

Mr. WILLIAMS. Thank you. Mr. Myette.

STATEMENT OF DAVID B. MYETTE, DIRECTOR OF FINANCIAL AID, CHAMPLAIN COLLEGE

Mr. MYETTE. Congressman Jeffords, Congressman Williams, I am David Myette and I am the Director of Financial Aid at Champlain College. I am again pleased to have the opportunity to testify before this subcommittee on the topic of the legislation governing the federal financial aid programs.

The subject that I have chosen to speak about is the issue of the contribution from dependent students' earnings.

As you know, the legislation states that the contribution from dependent students' earnings will be \$700 for first year students, \$900 for all other students, or 70 percent of the students base year income minus adjustments for federal, state and local income taxes.

Of all the changes made as a result of reauthorization, I feel that this issue, more than any other, severely damages the credibility of the analysis we use to determine a family's ability to pay. The message that this legislation clearly conveys is one that destroys the work ethic upon which this country was built.

Basically, what Congress is telling students by this legislation is work hard while you are in school and we will reduce your eligibility for financial aid. Do not work, and we will reward you with increased financial aid dollars. Please try to put yourself in my place for a moment and tell me what I am supposed to say to a family when they make this connection.

I have attended a number of high school guidance counselor workshops over the last several months. These counselors are very angry and frustrated with this provision because they have always encouraged their students to work and save for college. They now feel compelled to recommend to their students that they not work. I am sure that this was not the intent of Congress when they wrote this legislation.

I also have had a disturbing conversation with a student late last week. The student and I had become friends over the last year and he came to me for my advice. He comes from a family whose only source of income is social security and AFDC benefits. Although he has sufficient financial aid to cover his bill, he has absolutely no spending money. Is on the College Work-Study Program, but he has to sign all of his checks over to the college to help pay his bill.

He came to me to ask my advice on his taking a semester off this fall to work full time to earn money so that he would not have to go through another year like this. Although my heart went out to this student, I had to recommend that he not do this because this effort would result in his receiving less financial aid than he would have received if he did not take a semester off, thus worsening an already sad situation.

Again, I do not think this was the intent of Congress when they wrote this legislation.

Another problem associated with this issue is the student contribution form savings. Let us take the scenario of the student who earned \$4,000 while a senior in high school and saves every penny.

The analysis expects the student to contribute 70 percent of his net earnings plus 35 percent of his savings. Thus, we are expecting the student to contribute 105 percent which is more than what the student earned.

It is my understanding that the rationale for the use of base year income is: One, that it is verifiable; and, two, that it is predictive of what the student should be able to earn while in college.

I have a concern with the predictiveness rationale, particularly for first year college students. This is a very anxious period for most students. They are leaving the security of their home for the first time and moving to a strange city. They are nervous about the unknown with regard to difficulty of their college courses. My experience is that most students are choosing, with the blessing of their parents, not to work during the first year, with the exception of a small work-study job, so that they can concentrate on their studies. Consequently, the student will not have the contribution from earnings which we are expecting; thus leaving them short of the necessary resources they will need to attend.

I strongly recommend that Congress re-evaluate this situation, and allow institutions to expect a contribution from dependent students from their summer earnings. This system is far more equitable to all students. It requires a contribution from the student who chooses not to work, yet does not penalize the ambitious student.

Thank you for your consideration.

[The prepared statement of David B. Myette follows:]

3rd Speaker
3rd Panel

1.2

TESTIMONY OF
DAVID B. MYETTE
HOUSE POST SECONDARY EDUCATION SUBCOMMITTEE
MARCH 28, 1988

Congressman Jeffords, Congressman Williams, I am David Myette and I am the Director of Financial Aid at Champlain College. I am again pleased to have the opportunity to testify before this subcommittee on the topic of the legislation governing the federal financial aid programs.

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I have attended a number of high school guidance counselor workshops over the last several months. These counselors are very angry and frustrated with this provision because they have always encouraged their students to work and save for college. They now feel compelled to recommend to their students that they not work. I am sure that this was not the intent of Congress when they wrote this legislation.

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It is my understanding that the rationale for the use of base year income is:

- 1) that it is verifiable and,
- 2) that it is predictive of what the student should be able to earn while in college.

I have a concern with the predictiveness rationale, particularly for first year college students. This is a very anxious period for most students. They are leaving the security of their home for the first time and moving to a strange city. They are nervous about the unknown with regard to the difficulty of their college courses. My experience is that most students are choosing, with the blessing of their parents, not to work during the first year, with the exception of a small work study job, so that they can concentrate on their studies. Consequently, the student will not have the contribution from earnings which we are expecting thus leaving them short of the necessary resources they will need to attend.

I strongly recommend that Congress re-evaluate this situation and allow institutions to return to the good old days of expecting a contribution from dependent students from their summer earnings. This system is far more equitable to all students. It requires a contribution from the student who chooses not to work, yet does not penalize the ambitious student.

Thank you for your consideration.

Mr. WILLIAMS. Thank you. Ms. Vance.

**STATEMENT OF MARCIA VANCE, DIRECTOR OF FINANCIAL AID,
BURLINGTON COLLEGE**

Ms. VANCE. Chairman Williams, Congressman Jeffords, I am Marcia Vance, Director of Financial Aid at Burlington College. Thank you for this opportunity to present you with some thoughts on the state of the Title IV student aid program. In doing this, it is very important to me to express to both of you my appreciation of your support for these programs, and my own belief in their importance for our country and the world. I see their value every day in the individual lives of students, alumni and colleagues who would not have been able to pursue their goals without the financial help they have received from federal student aid.

In the written testimony I gave you, I tried to develop somewhat the historical themes and contexts that I see having led to the present federal involvement in providing access to postsecondary education. Suffice it to say here that I think the roots of this social commitment go deep, and that within this historical context the Higher Education Act of 1965 and its ongoing amendments represent a very and massive experiment in ways to embody national commitment into specific public policy.

The student aid structure that is developed experimentally over the years thus represents a hybridization of many models of what works to implement this policy.

From this perspective, we can see that a partnership among all of its participants has grown up in practice, to coordinate the system's diverse aspects. This partnership has been strained and undermined by the Reagan Administration's fundamental antagonism to a federal role in funding higher education and by its efforts to alter the nepotism which deliver this funding to the student.

In the Higher Education Amendments of 1986, Congress acted to write into law many of the technical arrangements which had previously been developed cooperatively among the participants, but which the administration has been attempting to manipulate for its own ends. This legislation has thus imposed a new degree of rigidity, for example, by creating the congressional methodology for determining financial need on a system which before had been allowed to develop incrementally over time through empirical consensus and in response to social and economic trends.

Standing as we are at the threshold of full implementation of these changes for the 1988-89 award year, it is perhaps too soon to tell what all the effects will be. Even though the legislation for areas like need analysis was based on practices developed over years by the financial aid community, the act of putting practice into law and slightly modifying various elements in the formulas may create inequities and other unintended consequences that can only be brought to light as individual cases are presented, analyzed and determined.

At this moment, it feels to me a bit like coping with the results of imposing a theoretical formulation of legal precepts onto an organized compendium of legal practices—something like trying to

conduct a trial on the basis of the Napoleonic Code superimposed onto English common law.

Thus, I am concerned that, in doing what had to be done to remove key elements of the student aid delivery system from the reaches of those who wished to tinker with it to its destruction, the legislation of needs analysis will create unintended hardships on some of the neediest students.

While in outlining my written testimony the specific dynamics by which I think such effects may occur, I will summarize by saying that I can see indications, for example, that ANFC mothers will have to go back to choosing between food stamps and student aid because of specifications in the law concerning student budget construction; that other independent students with families will have to decrease their enrollment in order to provide more non-student aid resources for their dependents because of the new methods for calculating their budgets and family contributions, and that married independent students with no children, who have incomes below 150 percent of the poverty level, will have no eligibility for a Pell Grant but full eligibility for a guaranteed student loan, supplemental loans and campus-based programs because of differences between the formulas for calculating their family contributions under these two different methodologies.

In the long run, such shifts in eligibility either will be recognized as undesirable and addressed by technical amendments to the formulas, or will be determined to be acceptable in the larger scope of things, and the students affected will have to find other paths to their goals, if they can.

In the short run, however, perhaps too many of the neediest students will inequitably bear the burden of these changes which seem to result from a breakdown in consensus about the nation's commitment to the value of their education rather than from any objective change in their need for financial aid.

Thank you for listening to my thoughts in these matters. I hope they will be helpful to you as you continue to assess the implementation of the new law and the ongoing operation of the student aid programs.

[The prepared statement of Marcia Vance follows:]

4th Speaker
3rd Panel

TESTIMONY TO
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

MARCH 28, 1988

PRESENTED BY
MARCIA VANCE
DIRECTOR OF FINANCIAL AID
BURLINGTON COLLEGE
BURLINGTON, VERMONT

Chairman Williams and Congressman Jeffords,

I am Marcia Vance, Director of Financial Aid at Burlington College. Thank you for this opportunity to present you with some thoughts on the state of the Title IV student aid programs. In doing so, it is very important to me to express to both of you my appreciation for your support of these programs and for the insight which I believe this support demonstrates: that providing postsecondary and higher educational opportunities in an egalitarian manner to all of our fellow citizens is of paramount social and personal value for our country and our world. I see this everyday in the individual lives of students, alumni, and colleagues who would not have been able to pursue their goals without the financial help they have received from federal student aid.

In trying to understand the present issues in student aid, especially those concerning the appropriate level of federal involvement, and to assess the effects of recent changes, it is helpful to me to try to view the present within the context of some historical perspectives. Recognition of the important social value of a widely and highly educated citizenry has, as I know you are aware, a long tenure in the history of our nation: from the Virginia gentry's establishment of William and Mary so their sons would not have to make the perilous journey back to England to be educated, to the Puritans' establishment of Harvard College so their ministers would be schooled according to their lights, to Jefferson's pride in founding the University of Virginia as his greatest accomplishment for his country, to the booster spirit which led settlers of Midwestern towns to map out the site of the local college with the laying of the first streets, to the vision of Justin Morrill in federally legislating a funding mechanism for the support of higher education at the state level, to the courage of black slaves who sometimes risked their lives just to learn to read in an effort to express their innate human dignity and in keeping with the belief that knowledge can help us to be free.

But it was only in our own time, with the passage of the G.I. Bill after World War II, that a major commitment to the funding of postsecondary education at the national level found expression. For the first time anywhere, millions of people, from across all social, economic, and ethnic strata, suddenly had access to a level of education many of them could not previously have dreamed of. I believe that this opening up of American society to higher education still significantly fuels the social need and the personal aspirations which make it impossible for the federal government to relinquish its role in funding postsecondary opportunities, for all of the same reasons that that initial G.I. Bill was so transformatory to our society and our educational systems. The concept of funding the individual seeking the education, as opposed to the institution providing it, and then allowing demand to help shape the delivery system within a relatively free marketplace, seems uniquely American and well suited to the pluralistic society that America has increasingly developed over its history.

From this perspective, the genesis of the programs with which we are currently concerned in the National Defense Education Act of 1958

Vance Testimony -- March 28, 1988
Page 2

seems somewhat anomolous in focusing federal spending on what was perceived to be a specific national need for education in the sciences. It took the widespread social unrest of the 1960's, participated in by many of the sons and daughters of those G.I.s whose educations the nation had funded back in the forties and fifties, to recommit the nation to removing social and economic barriers to the rising aspirations of its citizens. In articulating the social purpose that it is in the best interests of all citizens and of the nation as a whole that no one be denied the opportunity to develop to his or her fullest capacity for want of financial resources, the Higher Education Act of 1965 acknowledged and established an overarching federal role in education that cannot be relinquished without reversing all of the historical trends which led us to this point and without greatly imperiling the country's functioning as a nation at all.

Within this historical and ethical context, then, the history of the Higher Education Act of 1965 presents us with a national experiment--composed of trying various programs, funding models, delivery mechanisms, and levels of resources--in fulfilling an important social commitment and need. The present state of federal funding of postsecondary education thus represents a hybridization of perspectives and models of what works: targeting the limited dollars available based on the need of the recipients, delivering the dollars through a variety of routes (directly to the individual, through the state, through the educational institution) from a variety of funding sources (institutional and state matching funds, private capital from banks, direct federal appropriations), providing a variety of types of aid (grant, loan, work), addressing the needs of a diversity of students (full-time, part-time, dependent, independent, young people, older adults, dislocated workers, displaced homemakers) in a diversity of educational settings (undergraduate, graduate, trade, technical, liberal arts, professional). Such diversity and such an approach of building a structure by experimentation has resulted in considerable complexity, but also has allowed great flexibility, in keeping with the needs of students and the society. In many ways, despite all of its inherent frustrations, this student aid structure has allowed a remarkable partnership among all its levels and sectors--local, state, and national, public and private--to develop over the years of its existence and to work remarkably well in achieving the desired purposes.

The workings of this partnership have been increasingly strained and undermined, however, over the past eight years, partially, of course because of the very real problems of federal deficits, but mainly because of what seems to be the present Administration's fundamental disagreement with the social purpose of the student aid programs altogether. Because of such fundamentally different objectives between the Congress and the Administration, it feels at the grass roots level as if the student aid process has become increasingly politicized in these years. While I know that political choices have always shaped the programs and that this is appropriate in relation to the use of public tax dollars, I can see vast differences in attitude and approach between the politics of negotiating compromises concerning means to reach shared goals and those we have seen during this Administration's tenure.

Vance Testimony -- March 28, 1988
Page 3

Every year, the Administration presents through the budget process additional funding cuts or other mechanisms which eliminate program options or seem intended to undermine program integrity and public support. This year's proposal to eliminate non-liquid assets from the calculation of family contributions, for example, seems yet another such effort due to its potential for opening up need-based eligibility to the truly non-needy. Every year the Congress has blocked the Administration's attempts to dismantle the student aid programs or to redirect the limited funding away from those who most need it.

Finally, in the Higher Education Amendments of 1986, Congress acted to write into law many of the technical aspects and arrangements of the system which had previously been developed cooperatively among the various sectors participating in the student aid system, including the Department of Education, but which the Administration has been attempting to manipulate for its own ends. This legislation has thus imposed a new degree of rigidity--for example by creating the Congressional Methodology for the determination of financial need--on aspects of the system which had previously been able to develop incrementally over time, by empirical consensus among the participants in the student aid partnership and in response to social and economic trends.

Standing as we are at the threshold of the implementation for the 1988-89 award year of most of these new ways of handling key aspects of the student aid delivery system, it is perhaps too soon to tell what all of the effects will be. Even though the legislation for the newly codified areas, like need analysis, was derived from practices developed over years by the financial aid community, the act of writing practice into law and of slightly modifying various elements in the formulas may create inequities and other unintended consequences that can only be brought to light as individual cases are presented, analyzed, and determined. At this moment, it feels to me a bit like coping with the results of imposing a theoretical formulation of legal precepts onto an organic compendium of legal practice --something like trying to conduct a trial on the basis of the Napoleonic Code superimposed onto English common law.

Thus, I am concerned that, in doing what had to be done to remove key elements of the student aid delivery system from the reaches of those who wished to tinker with it to its destruction, the legislation of needs analysis will create unintended hardships on and shift funds away from those who most need the student aid programs. For example, the Higher Education Amendments of 1986 have, since October of 1986, provided that students on Aid to Need Families with Children (ANFC) would not lose foodstamp eligibility when they received student aid income to cover such family expenses as clothing and transportation. With full implementation of the need analysis sections of the law for 1988-89, only the student's own clothing and transportation expenses can be included in the student aid budget, thereby lessening the amount of income which can be excluded from the calculation of foodstamp eligibility and decreasing the amount of foodstamps that the student will receive. Considering that, in Vermont, ANFC covers only 66.7% of a family's poverty level needs, it seems unintentionally severe to go back to forcing a student who is a mother on ANFC to choose between food and clothing for lack of income when she was only

Vance Testimony -- March 28, 1988
Page 4

recently allowed to obtain both through the combination of ANFC, foodstamps, and student aid. Such choices also tend to be counterproductive to her ability to devote her energies to her studies and thus to her success in obtaining an education which offers her hope of becoming more productive and supporting her family herself.

Similarly, the changes in the interaction between student budget and family contribution calculations which are mandated in the new law create the situation that independent students with dependents whose family incomes are below the amount of the standard maintenance allowances will not be able to receive aid to help them provide for their families while they are students and thus while they have even less ability to secure other income. While the argument is made that student aid is intended only for the student, this becomes a bit specious when the student has no ability to provide living space and food for him or herself separate from providing for his or her dependents. One of the lesser consequences of this situation may be that many of these students will no longer be able to enroll full-time, but will have to reduce their attendance in order to lower their costs and to find non-student-aid resources for supporting their families. Such restrictions on their student budgets may decrease these students' annual Guaranteed Student Loan borrowing and lessen their use of College Work-Study, but it may also decrease their access to programs and institutions which can only be attended on a full-time basis and reduce their ability to complete their education at any level of enrollment.

Another example of such changes of which I am aware at this point is the extreme difference between the former and the new Pell eligibility calculations for low-income married students with no children and between the treatment of this same population by the new Pell and Congressional Methodologies. The one change of now taxing these students' discretionary income at 75% in the Pell formula causes some with family incomes below 150% of the poverty level to be ineligible for the Pell Grant, while they have a Congressional Methodology family contribution of 0 and are fully eligible for Guaranteed Student Loans, Supplemental Loans, and Campus-Based programs.

In the long run, it is possible that such shifts in eligibility and the resulting shifts in funding either will be recognized as undesirable and addressed by technical amendments to the formulas or will be determined to be acceptable in the larger scope of things and the students affected will have to find other paths to their goals, if they can. In the short run, however, perhaps too many of the neediest students will inequitably bear the burden of these changes which seem to result from a breakdown in consensus about the nation's commitment to the value of their education, rather than from any objective change in their need for financial aid.

Thank you for listening to my thoughts on these matters. I hope they will be helpful to you as you continue to assess the implementation of the new law and the ongoing operation of the student aid programs.

Mr. WILLIAMS. Thank you.

Mr. Jeffords.

Mr. JEFFORDS. Thank you. I understand that we do not make your lives any easier every time we reauthorize. I appreciate all of your testimony. It has been excellent.

I would like to point out that one of the problems we have are the very confused set of rules or obligations or understandings or whatever as to what the parents' obligations are when their child reaches the age of 18 and beyond. Fortunately for Vermont we have not had much abuse of the independent student category, but nationwide there has been a considerable amount. So what we try to do is devise a whole set of complex rules and regulations to try to separate out those that we feel ought to be helped and those that really are playing a game.

The end result is, especially in those areas like Vermont where we have not had the abuse, is we get a lot of problems and complications for families and financial aid officers in trying to figure out all this very burdensome task, such as needs analysis, et cetera.

Nell, we have someone on our committee who is very dedicated to that proposition that you were talking about, and though most of us may agree with you, I am not so sure we can do much, but we will pass the word along to those that are responsible for the required form. I understand your feelings and tend to agree with you.

Dave, or anyone, I would appreciate it if you could give us some specific guidance as to what changes we ought to try to make, perhaps before the next authorization, that you think are most burdensome and least helpful in the sense of the government's perspective of trying to legitimately save money.

Mr. COSEO. At the outset I would like to preface that I think the jury is still out in terms of where we are today. We do have some indicators. You look at a situation such as verification where within the law there is 30 percent verification. If, on the other hand as an example, there was a similar requirement for the IRS to verify 30 percent of the returns, I mean we would be dead in the water, so to speak.

I have a feeling that the data that we are getting for the most part and the follow up that we have done throughout the years as a financial aid community has been successful in terms of verifying that data without imposing perhaps unrealistic kinds of requirements upon us.

I do have some real concern in processing aid, getting aid to that needy student. That is where it belongs. It does not belong anywhere else, so that student can continue on. I have some real concern about such things as the federal award letter, understanding completely where that is coming from. But I think perhaps maybe it could be addressed in a different manner satisfying the same requirements, and saving ourselves some dollars, and saving some administrative burden on our parts and also increasing our ability to get that award to that student and let that student go on his way, and that is, you know, getting his education and not worrying about the other implications of delivering that aid.

In a general sense, those are the kinds of things I am seeing. I am seeing an awful lot of increased paper work. I am seeing an awful lot of concern from parents about filling out paper work,

about providing this and providing that, but understandably we do have accountability. I am not discounting that at all. I am perhaps just suggesting that at this point we probably—it would be good if we started looking at this in terms of a way of streamlining some of the processes, at the same time providing the kinds of requirements and guidance and verifications that are necessary in these kinds of programs.

Mr. JEFFORDS. Nell, or Marcia, or Dave?

Mr. MYETTE. I was very involved initially with Vermont's recommendations regarding the reauthorization legislation several years ago, and I understand the difficulty with writing such a complex bill. I do think that overall the bill sincerely tried to address the needs of students and their parents. And in trying to write such a complex bill, there are obviously some things that are not going to work.

And as Dave said, we are right in the middle of trying to implement a lot of the reauthorization provisions now, so it is going to take us some time to make some recommendations.

I have been involved in financial aid for 10 years now, and ever since I got involved with it we have discussed the definition of an independent student. I realize how difficult that is, but I still do not think we have come up with the best definition.

I sincerely believe that students are becoming independent that should not be independent, and vice-versa. So one of my recommendations would be to take another serious look at that issue.

Mr. JEFFORDS. What about the use of professional judgment in evaluating the student aid criteria and will you have a problem with that?

Mr. MYETTE. I do not have a problem with it. [Laughter.]

Mr. JEFFORDS. You like that?

Mr. MYETTE. We have always had the ability to exercise professional judgment. For the first time it is written into the legislation. I have two concerns.

One concern is that even though we have the authority to use professional judgment, my fear is because of some of the provisions in the legislation, the financial aid administrator does not have the opportunity to use that judgment because the student has probably become confused or discouraged right at the beginning of the process and elected not to continue the process. So we never had the opportunity to use that judgment.

My other concern is that there are several financial aid administrators that believe this is a wolf in sheep's clothing. That the Department of Education is going to come back during the program review process and severely penalize them financially for some of the judgments that they have made.

Mr. JEFFORDS. How do the rest of you feel about that?

Ms. BRINK. I feel the same way. It is kind of a scary thing to have this all of a sudden legislated that we can do it. You wonder how you are going to be audited, what they are going to come to look for when they come and do your reviews.

Ms. VANCE. To me it has a lot to do with what I wanted to focus on and did in my testimony, that there this system that was worked out over a generation for the give and take between accountability and delivery of aid and the other things we have been

talking about that now has pretty dramatically been changed. Certain elements of it being codified can no longer work the way they used to work, and other elements need to be developed such as professional judgment and standards for professional judgment, and then will the professional judgment be regulated or will it not, will it be protected from regulation. And things could happen with it that you would not want to protect it with regulations.

And so it is very much an open horizon at this point in terms of where we are going with that, and it is pretty frightening because we do not know if we make certain assumptions and try to begin to develop a certain system now, will that come back and cause us severe pain later on. I mean that from everybody's point of view; severe pain from Congress' point of view in terms of the use of the fundings; severe pain from my own point of view in terms of audit exceptions and program review liabilities.

Mr. COSEO. I would have to second that. I think professional judgment, in my opinion, is not the caveat that says if nothing else works, you have professional judgment. You can rely on that and that is going to solve the problem. We do have other concerns, concerns of compliance and concerns of addressing our entire population equally when we exercise professional judgment, not just for the one student but for all our student population in that particular area.

So it is not the broad brush save all kind of situation as I view it. It is nice to have it. We have always had some professional judgment, but one needs to exercise I think a great deal of caution when choosing to go that route.

Mr. JEFFORDS. You want it or do you not want it?

Mr. COSEO. I am not saying I do not want it.

Mr. JEFFORDS. OK.

Mr. COSEO. But I will not speak for my colleagues either.

Mr. JEFFORDS. As Chairman Williams pointed out, we are dealing with, unfortunately, smaller and smaller resources that we are trying to target better and better to those who really need it. These complications come in, and we are just trying to get a judgment as to what we are doing so badly right now that we ought to try and change before the next reauthorization. So if you have any thoughts later on, document it.

Marcia, you deal more with the kind of students that we are concerned about, and also try to help. Now as our work force numbers diminish, as our jobs increase, we are having a very, very severe shortages in some areas, and this area included, trying to get trained personnel with a college education or otherwise to come through. And you have mentioned some problems with respect to our targeting in that area.

I wonder if you could give me just a couple that you think are the most severe that we ought to try and do something about in the near future.

Ms. VANCE. Well, again, some of it needs to be lived with for awhile which is an uncomfortable position to be in, because in living with it over a year or so students may not be able to be in school as we have learned to live with whatever there is and see where the problems are.

But I guess the new methodology for need analysis, which pretty much removes the family from the student's picture and then focuses on the student in terms of budget construction and family contribution, could create situations where students will not be able to be enrolled, I am afraid. And again, I do not want to be an over duly alarmist because we have to see whether that is going to happen or not.

I think one of the consequences which may need to be looked at over time is the part-time student and how much there is an increase in part-time enrollment based on sort of forced choices by the need analysis and budget construction system.

I personally am very supportive of part-time students. I think that that works very well sometimes for adults and sometimes it is the only choice adults have. I am worried about making that more so, making more adults have to choose part-time enrollment for a couple of reasons.

One, it is a very lengthy discouraging process, and for adults who have many priorities and demands on their time that extends the length of time they have to sort of stay focused on that goal which no matter how determined they are, it may be hard to do over an extended period; you know, six-, eight-year time, and you are looking at a four-year degree longer if you are looking at graduate school.

And then also institutionally, if you are talking about trying to make higher education, postsecondary education more cost effective, it is a very inefficient way for institutions to deliver education, and I think it needs to be there because students need it. But the more you force that choice the most costly education becomes. It costs just as much for a financial aid office to process a half-time or even a quarter-time student as it does to process a student who is taking 21 credits and accelerating through.

Mr. JEFFORDS. Any comments from the other panelists?

One last question and it seems to be a perennial question. Pell Grant shortfall. What do you want me to do about it? Do you like the—

Mr. MYETTE. Make a decision.

Ms. BRINK. Yes; make a decision and stick to it.

Mr. JEFFORDS. Whatever it is.

Mr. MYETTE. Whatever it is. I mean the worst possible situation is when the Department cannot make a decision and Congress needs to make a decision; thus, delaying the process into the summer. It just adds to the confusion of students.

Either fully fund Pell, go with a linear reduction or go the \$31 across the board, but please make a decision soon.

Mr. JEFFORDS. Do you all agree with that?

Ms. BRINK. Yes.

Ms. VANCE. I agree. I would like to say it is a little alarming at the local level to though hear the disagreements that some are saying there is a shortfall and some are saying there is not a shortfall. And as always, it is the Department that says there is a shortfall and therefore we have to cut back the money. I just do not want to see students be cheated essentially out of that little bit of extra money if there is not a need for it, and I do not know any way to solve it. We look to you to solve that; \$31 is meaningful.

Mr. JEFFORDS. You do not wish to express a preference—linear reduction or across the board?

All right, thank you.

Mr. Chairman.

Mr. WILLIAMS. Dave, you have noted that the President's proposed budget calls for an increase for the first time in the history of the budget submissions from this administration, an increase of a little in excess of \$850 million above last year's appropriation level.

You will be pleased, and that budget has now overwhelmingly passed the House and has gone over to the Senate. You will be pleased to know that the House Budget Committee put in all that the President had asked, and another \$2 to \$250 million for the Department of Education on top of that.

Now, of course, it is up to the Appropriations Committee to now write the checks in whatever amount they have the votes for, but at least we have given them plenty of room or significant room even above the fairly generous increases that the President requested.

Mr. COSEO. Your efforts are appreciated.

Mr. WILLIAMS. Let me be sure, Ms. Brink, that I understand the difficulty that you have with the Federal Student Aid Report.

It has to do not so much with the purpose, but with the lack of compatibility that the regulations have with—

Ms. BRINK. I just do not understand the thinking.

Mr. WILLIAMS [continuing]. Your equipment?

Ms. BRINK. Well, every school has a different way of processing financial aid awards and different types of letters.

Mr. WILLIAMS. Right.

Ms. BRINK. We do not use a common form for our award letters. Ours, for instance, are generated off a computer. The computer even packages the awards and prints the letter. Some schools still do them manually. We would need a form that would fit everyone's need.

If it is going to go through our computer, it is going to have to be continuous feed, and it is going to need specific things to tie into the format of the letter.

Mr. WILLIAMS. Yes, so it is a paper, printing, equipment compatibility problem.

Ms. BRINK. Yes.

Mr. WILLIAMS. Do you have any opposition to the purpose?

Ms. BRINK. To saying it is federal financial aid? No, no, not at all. That is what we do on our letters already.

Mr. WILLIAMS. Do we achieve that with a separate form, or would you rather us abandon the idea of the form with the seal and all altogether?

Ms. BRINK. I think it should be abandoned and just require schools to put "federal" before the name of the award which is what we do. Any federal award has "federal" printed right before it on the award letter.

Mr. WILLIAMS. Well, those on the committee, one member, the former chairman of the committee that Jim mentioned, have said that is right, your school and others put "federal" there now and it does not work. The students do not know it is a loan, they do not

know that it is a federal loan. We have to catch their attention some other way, so we thought, or at least some members of the committee believed, that using a certain form, with a certain color, that looked like a federal form would do the job.

Ms. BRINK. We send out a lot of information with our award letters.

Mr. WILLIAMS. Yes.

Ms. BRINK. We send out the federal booklet on federal financial aid which explains, we send out a financial aid brochure. We send out information this is a loan. I do not know that just putting it on a federal award letter with a great seal on it is going to make any difference to the students.

All they want to know is what their award is, and if they have a question about it, they will come in and ask us.

Mr. MYETTE. Students now also receive student aid reports from the Pell program which are generated by the Department of Education and have no idea that that Pell Grant is a federal grant.

Ms. BRINK. It just seems that there would be a better way to use our tax dollars than generating forms that schools have to send out.

Mr. WILLIAMS. I do not think the purpose behind this effort was to give any flowers to the Congress. It was to try I think to achieve two things.

One was to put firmly in the student's mind that this was a loan. Perhaps a federal loan carries with it more demand for repayment than it might if it was thought to be a private loan or a school loan or even a state loan, perhaps.

Well, it is working pretty good so far. We have only got a 9 percent default rate on uncollateralized loans to low income people, so that is a pretty good return.

But there is another important piece of it that some people see as political, but it seems to me there is a nugget in there that is worthwhile, and that is that if people have to put up with the complexities and paper work, and if they have to come April 15th fill out these taxes, they ought to have a better idea of what is they are getting for all of this.

It seems to me there is some reality in saying to people, this is the result of all of that pain and all of that complexity, all that paper work and all of those taxes that you pay.

I do not know, Jim, if maybe because of the closeness of Vermont to Washington your governor does it different than ours, but throughout history when our governor is cutting the ribbon on a new federal project, whether it is a dam or a highway, they always cut the ribbon on a Wednesday when no Member of Congress can get out there to be with them, and they never mention the word "federal" one time in their speech inauguration this new facility. It is no wonder that people got fed up with the federal government. They did not know all these projects out there were federal projects. No wonder students are fed up with the federal government. They do not know if the loan is a federal loan.

So there is a connection that is necessary between people and the federal government.

Ms. BRINK. That could backfire a little though if we were able to send out no need awards out on the federal award letter, too. They realize they were not getting any federal loans.

Mr. JEFFORDS. No, you send those out.

Ms. BRINK. Yes. [Laughter.]

It works both ways.

Mr. WILLIAMS. Sure, yes.

Marcia, first I want to thank you here in Vermont for your good work in our Belmont task force. For those of you who may not have heard yet about the Belmont task force, we brought a number of people into Washington, a dozen and a half people into Washington, people who work with Guaranteed Student Loans, and asked them to sequester themselves away for a couple of days and develop a report for us, including recommendations of how we can restrain the growing default problem on Guaranteed Student Loans.

One of the people that we chose to assist us in that task force was Marcia, and she did an outstanding job and was very helpful, and we appreciate very much your work for us.

Ms. VANCE. Thank you.

Mr. WILLIAMS. When financial aid officers take over a new job, maybe their first job as a financial aid officer, or maybe they go to another school, or surely when these acts are reauthorized and suddenly you are faced with the new changed amendments in the Higher Education Act, it must almost be as if you are taking a job somewhat for the first time to try to deal with it.

Do you need assistance from the Department of Education—I suppose it would have to be from the Department—in working your way through the act? And if you need assistance in the form of technical assistance from the Department, are you now getting it? Is it available?

Ms. VANCE. I think there was a significant shift. When I first came into aid in the mid to late 1970s, there was quite a bit of federal training, preceding the Department of Education. It was the Office of Education then. And, again, I think that is another place where this particular national administration has had a negative impact on the delivery of federal tax dollars.

The training has declined considerably. Given some of their attitudes, I am not sure I want them to train me. So it is again a bit of a dilemma. But I think looking hopefully toward the future that indeed it would help to have more training, unified, consistent, across the board, and materials. Materials can be very valuable.

I work in an office where I am the only person doing financial aid professionally. And just someone else to design a form for me that works, and that passes all the tests of acceptability can be of great help.

But if I had to choose though between that and dollars going to the students, I would always choose the dollars going to the students. It is part of my institution's responsibility to somehow get me trained. But if there is the availability of both, then I think it is a really important thing to have it.

Mr. WILLIAMS. Do any of the others of you have any recommendations concerning technical assistance from the Department?

Mr. MYETTE. I got a call the other day from the training coordinator from the Department for the regional office of Boston asking

me—he was making a statement that the Department wanted to assess whether there was a need out there for training of financial aid administrators, and wanted some feedback from me as to what kind of training we wanted.

So I think they are making an effort, or they are aware that there is potential training needs out there.

The problem that I have, particularly as a result of reauthorization, is that the Department does not know the answers to the questions anyway. So it makes it very difficult when we are trying to get an answer to a particular touchy issue and the Department would rather not comment.

I think there is a tremendous need for training out there for financial aid administrators, but I also think that the Department has to expend some funds to train their own people.

Mr. WILLIAMS. Mr. Jeffords, any further comments or questions from you?

Mr. JEFFORDS. No, not of this panel, Mr. Chairman.

Mr. WILLIAMS. Well, we appreciate your help. Thanks for being with us and for all the advice and recommendations, good advice of all three panels. I appreciate, Jim, your hospitality and the hospitality of the people here in Vermont.

This hearing is adjourned.

Mr. JEFFORDS. One moment, Mr. Chairman.

Mr. WILLIAMS. This hearing is not.

Mr. JEFFORDS. Right, you do not want to end it abruptly.

We have a little gift for you up here which is—it is now called Liquid Gold. It used to be called Maple Syrup, but it is now called Liquid Gold. And I just want to express our deep appreciation for you coming here, being with us today and sharing with us your own wisdom, and I know I have had an interesting time and gathered some information, and that is for you.

Mr. WILLIAMS. Well, will you join me for breakfast so that we can make a dent in this?

Mr. JEFFORDS. Sure, or several. [Laughter.]

Mr. WILLIAMS. I am a pancake and waffle fan, and also a pure maple syrup fan.

Mr. JEFFORDS. Great.

Mr. WILLIAMS. I have had this Vermont Liquid Gold before, and I appreciate this. Thanks a lot.

Mr. JEFFORDS. You are quite welcome, and thank you again for coming.

Mr. WILLIAMS. Now if there are no further gifts—

[Laughter.]

Mr. WILLIAMS [continuing]. This hearing is adjourned.

[Whereupon, at 12:50 p.m., the subcommittee was adjourned.]

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